The Investors' Primer

Cornell University Library

BOUGHT WITH THE INCOME
FROM THE
SAGE ENDOWMENT FUND
THE GIFT OF
Henry W. Sage
1891

A 239182 2/3/11/09

6896-1

arV12868 Cornell University Library
The investor's primer,

3 1924 031 217 551
olin,anx

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

http://www.archive.org/details/cu31924031217551

The Investor's Primer

BY

John Moody

Published by

The Moody Corporation

35 Nassau Street, New York

1907

Copyright, 1907, by
JOHN MOODY
All rights reserved

THE MOODY-BARTON PRESS
ELIZABETH, N. J.

PREFACE.

There has long been a demand for a concise handbook which would give, in simple, understandable language, definitions of all the important terms and phrases employed in the investment and banking business. This little book represents an effort to in some measure supply this demand.

The book is really in two parts, the first part covering the general definitions of finance; the second giving specific information regarding the various issues of preferred and guaranteed stocks which are generally classed among the investment issues. Many other small books furnish information regarding bonds, quotations, etc., etc., but this specific and useful information has not, as far as the writer knows, been heretofore presented for popular uses, in this particular way.

Although the definitions are all arranged alphabetically in dictionary style, yet, to facilitate practical use of the volume, an alphabetical index is inserted in the back.

Introduction

THE investment of money is a business, just as the manufacture of shoes and the selling of food are businesses. But modern investing is even more than a business; it is influenced by and covers all businesses, all enterprises, all industry. In the early days of the Republic, the situation was, of course, somewhat different. At that time there was but little wealth and therefore little capital. Population was sparse, privation was great, men were absorbed in holding body and soul together, in feeding and clothing themselves, rather than in seeking for luxuries. There was no leisure class in those days and, as a consequence, no investing class. For then, an investing class could only be drawn from a leisure class. Nowadays investors are made up from all classes, and a vast amount of money which is invested in stocks and bonds and other enterprises is the money of the poor, of the moderately-well-to-do and of the industrious, as well as of the merely rich and the non-industrious or idle. One hundred years

ago only a very few could spare anything beyond their daily needs for investment in outside things. If they accumulated any wealth at all above their cost of living, it was used to buy or build a home, raise and educate a family or develop a small undertaking of their own. And, indeed, even though they acquired or possessed surplus wealth, practically the only forms of investment accessible were government securities or loans upon realty. There were no railroads, no trolley companies, no manufacturing enterprises of large size, or other fields for the productive employment of surplus capital. Even savings banks were practically unknown, and mining or exploration enterprises were largely of that uncertain, speculative nature that only the boldest and least timorous would look favorably upon.

But to-day the field of investment covers enterprises of every conceivable nature. Manufacturing corporations covering every thinkable need or luxury of the human being, distributing concerns selling every kind and class of necessity and luxury in the line of food, clothing, or what not, are all embraced in the investment field. Transportation methods of every kind from the stage-coach to the powerful locomotive, from the coal cart to the automobile, are operated with the capi-

tal of investors. Our department stores, our restaurants, our candy manufacturers, our theaters, our magazines and newspapers, the advertisements in the street cars, many of the metropolitan barber shops, the boot-black stands, and the news stands and book stores are operated by corporations, the capital in which is largely derived from investors. Not a large building is now put up on lower Broadway but that an enormous corporation puts in the foundation; another corporation erects the superstructure and still others put on the finishing touches, all being concerns whose shares or bonds are owned by investors in all parts of the country. The hats we wear, the umbrellas we carry, the suit of clothes, the shoes, the socks, the shave we had this morning, or the ham we ate this noon—all these were shaped and produced to a large extent by the money of investors. When we realize that one corporation in this country boasts of over eighty thousand stockholders, and that many others are known to have over thirty thousand, we begin to get a slight idea of the magnitude of the investment field.

But this is not all. Not only is all modern business essentially the investors' field, but all the obligations of municipalities, of counties, cities and States are held by investors.

The governments themselves build up their navies and armies, carry on wars and develop public works with the money of investors. A case in point is our own Panama Canal. And not only do the investors of one country supply funds for their own activities, but they also supply much for the activities of other nations. Thus, when the American is investing money in a Mexican gold mine or in Japanese Government bonds, he is supplying investment funds to undertakings in those countries, and when the Englishman or Frenchman buys our railroad or industrial bonds or stocks, he is supplying investment capital for undertakings in our own country. The investors' field in this country would seem, therefore, to be limited only by the wealth of the country itself.

But what about the methods for investing money? Where does the money come from? Does it all come into Wall Street and the other financial centers, or does it flow directly from the pockets of the investors into the undertaking or enterprise itself?

Speaking broadly, there are two methods by which money is invested in any given enterprise. These are, direct and indirect. The person who places money directly, or through a broker or banker, in a specific enterprise or undertaking is a direct investor. He person-

ally becomes the stock or bond-holder in a corporation of his own choosing. But the man who deposits his money in a savings bank, insurance, or trust company or State or National bank, is an indirect investor. His money goes into an investment of some sort where it earns the interest which he receives and possibly a little more. In the former case, he sees his money at work; it stays presumably in the place where he puts it. In the latter case, he delegates the matter of actual investment to another—to the bank—which acts in the capacity of a trustee, and invests his money for him. And in both cases, the money may easily be invested in the same enterprise. Thus, in the latter case, he may place his money in a savings bank, and the bank may then invest it in New York Central Railroad 3½% bonds. In the former case he may himself, through an investment banker, purchase New York Central Railroad 3½% bonds. His money is in the same enterprise in both instances, the chief difference being that, in one case, he knows it; in the other, he does not.

This brief sketch of the investment field which obtains in this country to-day will give a rough idea of the breadth of the subject under discussion. And, in taking this broad view, we must bear the fact in mind that this

is not a stationary condition, for the American investment field is broadening and intensifying every day. It is not only growing in size and volume, but also in density. We, even more, I think, than most other modern nations, are going through a quiet, steady, but most remarkable evolution in the methods of wealth production and distribution. Ten years ago we were referred to as "a nation of investors," but this appellation is far more appropriate to-day than it was then. The changes during the past ten years in this respect are in no way better illustrated than in the remarkable expansion of Wall Street. The mere growth of stock exchange business, while great in itself, is not a complete guide in this matter. We must necessarily take into consideration the vast expansion of investment business outside of the stock exchange floor.

While there are no accurate figures for demonstration, the acknowledged fact that a hundred first-class investment houses exist in the Street to-day where ten existed in 1896 is evidence enough in itself that the expansion has been great. In 1896 or 1897, if an investment bond house bought or sold $500,000 or $1,000,000 of bonds in one block or at one time, the fact was heralded far and wide as a notable event; nowadays such transactions and much

larger ones are constantly going through and create no comment whatever. In those days, if a bond or investment firm made half a million dollars in any one year, it was regarded as a most remarkable showing, but at the present time, dozens of houses can be pointed out in the Street which are making this or a better showing every year. To-day, single firms buy entire issues of bonds or stocks sometimes running into the tens of millions in amount; ten years ago this was unheard of, and usually a "million dollar loan" was regarded as of such magnitude that it required a syndicate of half a dozen or more concerns to underwrite it. In the field of stock speculation and trading, in those days, a business of 15,000 shares in one day was regarded as very large. To-day many firms do 50,000 to 100,000 shares per day right along in normal times. Then, a firm carrying on margin $5,000,000 worth of stocks was a large firm; to-day many are constantly carrying from $30,000,000 to $40,000,000 worth. In the actual banking field the expansion has been equally great. Now many banks and trust companies in the city of New York can boast of deposits of $40,000,000 and over; in those days none could. And yet there are now several times the banking facilities in New York that there were in 1896.

While Wall Street is the main center of investment, it alone has not enjoyed all the expanding. Other cities, all over the land, can now boast of financial and investment centers of no mean extent. In most cases they have close alliances with the main center in New York, but they are all sharing in the general expansion of this particular phase of modern commercial advancement.

The fact should be consistently borne in mind that this great investment field is constantly being accelerated from several sources. Not only does it benefit by the steady growth of population and general development of the country, but it expands steadily because of the fact that it is becoming increasingly necessary to do things more and more on a large scale, and this tendency automatically involves the elimination of the smaller producer and competitor, and forces a steadily expanding element into the field of investment. Even the busy workers of today, as well as the leisure classes and those who pursue the professions, find it profitable to place their surplus funds more and more into enterprises outside of their chosen environment. It is this tendency of modern civilization which has much to do with making the investor class of greater importance in all parts of the country.

PART I.

ACCOUNT AND RISK. The forms usually provided by brokers for the use of their customers when giving orders for purchases or sales of securities, bears the inscription, "Buy or sell for my account and risk." The meaning of this is that when an order as given is executed by the broker, it is done for the account and risk of the customer exclusively, and that the broker is simply acting as the agent in the matter and is therefore in no sense liable himself, but holds the customer wholly responsible for the transaction.

ACCRUED DIVIDEND. The amount or proportion of a regular dividend not yet payable that has accumulated at a given time after the date of payment of the preceding regular dividend. For instance, if a dividend on a stock at the rate of 6% per annum is payable semi-annually January and July 1st, the amount of accrued dividend on a given date, such as April 1st, will be 1½%. Cumulative dividends which have not been paid when due,

but which have accumulated, are sometimes called accrued dividends, but the correct term for such is "accumulated dividends." A cumulative dividend is an entirely different matter.

ACCRUED INTEREST. This is the amount of interest on a bond or debenture stock not yet payable, but which has accrued over a given period of time subsequent to the last regular payment. For instance, if the interest on a 4% bond is payable semi-annually January and July 1, the amount of accrued interest on the bond on April 1st would be exactly 1%, which on a $1,000 bond would amount to $10. Many bonds are quoted "with accrued interest" and sold on this basis. This is particularly true of unlisted issues, municipal bonds, etc. Most of the issues quoted on the stock exchanges are sold "flat"; that is, the accrued interest is not separately figured but is included in the price. To bring the distinction out concretely between a price quoted with accrued interest, and a price quoted "flat" the following illustration is submitted: If a 4% bond is selling at 90 and accrued interest on January 1st, the total cost of the bond will be exactly $900; but if on April 1st it is still quoted at 90 and accrued interest, the total cost of the bond will be not $900 but

$910, the $10 representing the accrued interest over the preceding three months. If, however, the bond is quoted "flat" the price on April 1st, other things being equal, would be given as 91. It will be seen, therefore, that the matter of accrued interest directly affects the "flat" price but does not affect the "and interest" price. As very large transactions are made daily in bonds on an accrued interest basis, it is necessary to do a great deal of figuring from day to day on the amounts of accrued interest when making purchases and sales. To facilitate this, most bankers and brokers make use of pocket bond interest tables, which contain the figures showing the amounts of accrued interest on $1,000 bonds for every day from one day to six months, at the various rates of interest from 2% up to 8%. The most popular of these pocket tables in the United States is published by The Moody Corporation.

ACCUMULATED DIVIDENDS. This term is properly used to describe cumulative dividends which for one reason or another have not been paid as they fell due. For instance, in many corporations, particularly industrials, there are issues of preferred stocks on which the dividend charge is so heavy that the corpo-

ration is not able to earn and meet the payments. The amounts of dividends, therefore, have accumulated, and, theoretically at least, must be paid off some day. Usually when dividends of this kind or portions of dividends have accumulated over a series of years and it has been pretty well demonstrated that there is little prospect of the corporation being able ever to make good the back payments, some plan of compromise is then submitted to the stockholders whereby the accumulations are paid, possibly in securities of some kind, and then the rate of dividends is scaled down for the future. It is not always difficult for the corporation to make a readjustment of this kind, as the cumulative clause in a stock is really not of a great deal of value if the corporation cannot in some way earn sufficient money to pay the full dividend. In other words, the stockholder has no means of foreclosing on the property or bringing legal action if the past dividends are not paid.

ADJUSTMENT BOND. This term is used to describe a bond which has been issued for the purpose of in some way adjusting the finances of a company, usually at the time of a reorganization. For example, when the Atchison, Topeka & Santa Fe system was re-

organized in 1897, some compromise had to be made with the old preferred stockholders and the holders of the general mortgage bonds. It was necessary for the road to radically reduce its fixed charges, but at the same time the reorganization committee could not avoid giving the holders of a large proportion of the old securities something more tangible than a mere preferred stock. The holders were therefore given a second mortgage bond, which would be entitled to receive interest only in case the same had been earned, and in no case would the holders of the bond be able to foreclose before maturity in the event of the interest not being paid. The interest on this particular issue was to become accumulative after 5 years, but as far as any positive guarantee of interest being currently paid was concerned, the issue was simply in the same class as the ordinary accumulative preferred stock. It will thus be seen that this issue of bonds was in the nature of a compromise for the benefit of the holders of old securities, and it was therefore given the title of "adjustment bond." Several other large issues of adjustment bonds have since been created by other companies, but the Atchison "adjustments" are the most conspicuous example of this kind of security.

ALLOTMENT. A term used in connection with the amounts assigned to members or subscribers in underwriting syndicates. For example, it is generally understood when an underwriting syndicate is being formed and different concerns are subscribing for portions of the underwriting, that the managers of the syndicate have it in their power to allot to a given subscriber less than the amount applied for, provided the total subscription or underwriting exceeds the total amount offered for subscription. There have been many instances where an over-subscription of a stock or bond issue has been so great that the subscriber is finally allotted only a small proportion, sometimes only 10% of the amount for which he has subscribed. This fact of a tendency for over subscription has often, in the case of popular securities, had the result of inducing underwriters to sometimes subscribe for even greater amounts than they expected to get. In this way, they have been able to secure the amounts which they actually desired.

ARBITRAGE. The meaning of this expression is the buying and selling of the same thing in two different markets, as, for instance, New York and London, the purpose being to make a profit from the difference in the quo-

tations between the two markets. The term is used chiefly in reference to dealings in stocks and bonds, but is also used in dealings in exchange and in other commodities.

Arbitrage in stocks is based on the temporary differences in prices between the different markets for the same stock. For instance, when a stock is selling at a higher price in one market than in another, it is sold in the market where the higher price prevails and is bought in the market where the lower price prevails. The operator speculates on a return to the same price in both markets. When the equality in price has been restored he closes his transaction by buying where he sold and selling where he bought. The difference in price that existed, of course, represents his profit, unless the transaction has not been a successful one, in which case a loss may be reported.

To illustrate the method of arbitrage trading we will assume that a stock is selling in one market at 100 and in another at 98. It is then sold in the first market at 100 and bought on contract in the second market at 98. If the stock advances to 100 in the second market while it remains stationary in the first market a sale is then made in the second market and thus 2% is made on the transac-

tion there. The same amount of stock is then bought back in the first market at 100, and hence neither profit nor loss, barring commissions, results in the transaction in the first market, the profit in the second market representing the entire net profit of the double transaction. Should the stock decline to 99 in the first market and advance to 99 in the second market the transaction can be closed up with a profit of 1% in each market or 2% in the two markets.

Because of the system of calculating values for American stocks on the London Stock Exchange, prices on the London Exchange are 2⅝% higher than the prices for the same stocks on the New York Stock Exchange when they are actually the equivalent of the prices on the New York Exchange. Hence, in arbitrage dealings, allowance has to be made for this difference in prices between London and New York, which is merely apparent and not actual. The figure of 2⅝% mentioned above is arrived at in the following manner: In dealings in American stocks on the London Stock Exchange four shillings is counted as one dollar. Four shillings being equal to 97 1-3 cents, the price of an American stock must be 2 2-3% (quotably 2⅝%) higher in London than in New York if the London price is to be equiva-

lent to (or at a parity with) the New York price. Not 2⅝% of the par value is to be added arbitrarily to the New York price, but 2⅝% of the New York price, whatever it may be, is to be added to the New York price to make an equivalent London price. Thus, for a stock selling at 50 in New York the equivalent price in London would be quotably 51⅜%. For a stock selling at 100 in New York the equivalent price in London would be 102⅝%. Conversely, for a stock selling at 100 in London the equivalent price in New York would be 97⅜%, and for a stock selling at 50 in London the equivalent price in New York would be 48⅝%.

The difference in equivalent prices between New York and London permits two kinds of operations in stocks that are dealt in in both markets. One operation is called a "spread" and the other is called a "back spread." See also definition of "spread" as used locally under its own heading.

In the "spread" as employed in arbitrage dealings there must be more than a normal difference in prices between London and New York. The stock is sold in London where the higher price prevails, and bought in New York where a lower price prevails. Then, when the equality in price is restored the transaction is

closed by buying in London and selling in New York. The difference in excess of the normal difference represents the profit in the transaction.

In the "back spread" there must be less than the normal difference in prices between New York and London. The stock is therefore bought in London where the nominal higher price prevails, and is sold in New York where the nominal lower price prevails. The transaction is finally closed when the equality in price has been restored by selling in London and buying in New York. The difference in price that existed less than the normal difference, represents the profit in the transaction.

A large arbitrage business in active stocks is carried on between London and New York by cable daily. By the clock London is five hours ahead of New York. At 10 a. m. in New York, when the New York Stock Exchange opens, it is 3 p. m. in London. The London Exchange opens at 11 a. m. and closes at 4 p. m., except on the last day of accounting, when it closes at 4.30 p. m. After the closing of the London Exchange, American stocks are still traded in in the Street. A good part of this street market represents arbitrage business with New York. Very little business is transacted in New York before the opening of the New York Exchange,

but orders are sent to London for execution. The London curb brokers remain active as long as there is business to keep them, continuing usually as late as 5.30 or 6 o'clock.

There is also a business in arbitrages carried on in grain, cotton, coffee and so forth, between different markets in one country or between different countries, just the same as in stocks between New York and London.

ASSENTED STOCKS OR BONDS. A term which describes securities, deposited under an agreement by which the owners assent to some change in the status of the securities. Many reorganizations of properties are carried through without foreclosure or other legal process, the owners of the securities assenting to some change in the status of their stocks or bonds such as an exchange for new securities, with possibly less principal or interest. See also Reorganization.

ASSESSMENT. An assessment on a security is a demand or call from a company or its management upon stockholders to pay into the treasury a specified sum of money on each share of the security which they may hold. There are many kinds of assessments, the most common in Wall Street being that which re-

sults as part of a plan of reorganization by means of which funds are secured for the discharge of debts and for working capital. While most stocks of railroads and other large corporations are, in a legal sense, non-assessable yet in a reorganization where conditions have made it necessary for the different security-holders to make concessions and sacrifices, assessments are often paid. These assessments are, of course, in a sense voluntary, and are agreed to by the stockholder and paid in order to preserve the property with the hope that the reorganization will result in ultimately adding value enough to the securities to repay the stockholder for the expense of the assessment. Often the stockholder has no alternative except to pay the assessment. If he does not pay it, usually an underwriting syndicate stands ready to take his stock at a current market price (which is often a merely nominal one) and pay the assessment itself. This results in the former stockholder sacrificing practically his entire interest and he is then, in a sense, "frozen out." Any future benefit from the reorganization is, of course, derived by the payer of the assessment, who naturally takes the chance of the future success of the company and is therefore entitled to its future profits.

ASSIGNED IN BLANK. The ordinary stock certificate has on its back a printed form of assignment, whereby the owner of the certificate can endorse the same and thus make it a good delivery in selling it or passing it on to another party. By signing this form in blank he makes a legal and formal assignment of the stock to any purchaser who, of course, can fill in his own name in the blank provided for the purpose and then have it transferred on the books of the company in the usual way, receiving a new certificate in his own name. The New York Stock Exchange rules provide that any stock certificate assigned in blank by the owner must carry a witness to the signature, and also a formal guarantee of the signature by some stock exchange house in good standing. This, of course, is to guard against forgeries, errors, etc.

AVERAGING. This is a speculative term describing a method of purchases or sales of stock, which speculators often pursue in advancing or declining markets, for the purpose of improving their position regarding the average cost of certain purchases or sales of stock. For instance, should a man be dealing in New York Central stock on a speculative basis, he might begin by purchasing 100 shares at 110.

Should the price then decline to 105, his transaction up to that date would show him a loss of $500. He might then purchase another 100 shares at 105, and he would thus be carrying 200 shares at an average cost of 107½. Should the price then advance to above 107½ his entire account would show no loss, and he could close out the transaction 2½ points below the cost of the first hundred shares and yet not lose any money. The practice of averaging is carried on sometimes on a much larger scale. Investors or speculators will often put in orders to make purchases on a "scale down," buying at every point or two, and in a declining market where a given stock may drop 25 points, 100 shares may have been purchased at every point down. Each purchase naturally brings the average cost of the entire account down to a lower figure.

The method of averaging is also employed in the sales of stocks by investors and speculators in the same way, both in selling stocks for long account and for short account.

BALANCE OF TRADE. The difference in money value between sales and purchases. In foreign trade, the difference in money value between exports and imports. As commonly used the term signifies the balance or differ-

ence in favor of a country; as, for instance, the United States as against the rest of the world; or in favor of the rest of the world and against that country. When exports exceed imports over a given period the balance of trade is said to be in favor of the country, and vice versa.

BANKING. The banking business is almost as old as civilization itself. Money lenders are mentioned many times in the Bible and in all other ancient literature, but banking in its modern sense as understood in the civilized countries of the world today is more of an evolution that has resulted as the natural outgrowth of modern industrial development and commercial conditions. Modern banking may be said to have begun, therefore, within the past three hundred years. Prior to that time each man was, in a large degree, the individual defender and protector of his own property. For instance, three centuries ago it was not safe to venture out after nightfall in the streets of London unless properly armed or in company, and the carrying of valuables of any kind was particularly hazardous. Goldsmiths, who in those days necessarily had to keep on hand large stocks of the precious metals, took great precautions for the safe keeping of property of this kind and people gradually acquired

the habit of depositing money with them, paying something for the privilege in order to receive the accompanying protection. In the course of time the goldsmiths learned from experience that many people who had so deposited money did not require it at once, and they thus began to lend out a certain percentage of their surplus on their own authority. Furthermore, it was found that if a man had to discharge a debt it was often more convenient for him to give his creditor an order for the money on deposit with the goldsmith than to go in person and carry away the gold and deliver it, and thus impose upon the creditor the necessity of returning the gold for deposit in his own name, and many times in the same place. This situation developed the system of a transfer of credits by means of checks. This method was not only safer but much more convenient than the earlier method of delivering the actual coin or bullion. In making loans, likewise, the goldsmith now became the banker and learned to merely put the loan on his books as a credit to the borrower, against which the latter could draw his order or check precisely as if he had deposited the actual money; or the goldsmith issued his own note or promise to pay to the borrower, the latter passed it on in payment of debts and it became

a circulating medium wherever the credit of the goldsmith was good.

Modern banking has evolved to its present state from this beginning. The chief function of the modern bank is to receive on deposit and make legitimate use of the money of its customers. It makes this money and its own paid up capital the basis of loans, on which it charges interest in accordance with the laws under which it is chartered. While these loans may take the form of actual money, they are, as a rule, merely credits against which the borrower is privileged to draw. Such loans are entered on the books of banks as deposits. In actual experience the loans and deposits so nearly counterbalance each other that only a small percentage of actual money is required to transact the larger affairs of business. It is only in retail transactions, in the payment of employees and in the smaller daily affairs of life that actual money is usually used. For all other business the transfer of credits by means of bank checks and bills of exchange is the almost universal rule. In brief, the modern bank has become the principal mechanism of exchange. To what a remarkable extent bank checks have supplemented or taken the place of actual money as a medium of exchange in modern business, thus making possible the

wonderful commercial and industrial activity of the present day, can be best realized by studying the figures of the operations of the various clearing houses of this and other countries and the relation which the actual money in the vaults of the banks bears to the total transactions recorded.

In addition to its functions as depositories for money and the negotiation of credits, the modern bank exercises the function of note-issuing. In the United States, under the national banking law, any national bank may issue notes up to the amount of its paid in capital stock upon depositing with the United States Treasurer, government bonds of the United States equal in par value to the amount of circulating notes so issued. State banks are also authorized to issue notes, but the Federal tax of 10% on their circulation acts as an effective prohibition on the exercise of this right.

While the business of banking is embraced within the above general scope, yet the term banker is very broadly used, particularly in the United States. Stock brokers, investment dealers, dealers in exchange and commercial paper, money lenders, and others are accustomed to call themselves bankers. Strictly speaking these are inaccurate uses of the term, although it is now generally acknowledged

that in modern usage the term banker must be understood to carry a broader meaning than was formerly the case.

BANK OF ENGLAND. The Bank of England, which is the largest and most important monetary institution in the world, was incorporated in 1694. It is the custodian of the public monies of Great Britain and the manager of the public debt. Its official title is "The Governor and Company of the Bank of England." It conducts the banking business of the British government; it receives the revenue of the government and makes all disbursements for it; and it also issues exchequer and treasury bills and advances money to the government. It is also the central bank of the City of London. That is, the other banks keep on their own premises only enough of their deposits for the requirements of their business, and deposit the remainder with the Bank of England. Thus, the bank is not only the financial institution of the British Government, but also of the other London banks and of the whole of the London money market.

BANK OF ENGLAND NOTE. The circulating note or money issued by the Bank of England performs the chief note-issuing func-

tion in the United Kingdom. The bank is permitted to issue a certain amount of notes upon government securities, and it has the privilege of issuing, also on government securities, an amount equal to two-thirds of the issues of all other banks in England and Wales when the latter go out of existence or surrender their circulation. In addition, the Bank of England may issue notes to any further amount it sees fit by providing and setting aside an equal amount of gold coin or bullion.

In times of panic the bank is allowed by parliament to increase the number of notes that it may issue against securities. This is accomplished by the suspension of the "Bank Act," which limits the amount of the bank's circulation of notes backed only by securities. The Bank Act was last suspended in 1866.

The Bank of England's notes are legal tender in England and Wales, but are not legal tender in payments made by the bank itself. The holders of the bank notes are entitled to demand gold for them on presentation at the bank. The notes of other English, Irish and Scotch banks are not legal tender, with the exception of the notes of the Bank of Ireland, which are legal tender in Ireland only. All the notes, however, constitute an important circulating medium. Ultimately the Bank of Eng-

land will possess the monopoly of note issue in England and Wales.

The lowest denomination of a Bank of England note is £5 and the largest £1,000.

BANK OF ENGLAND RATE. This is the proper title for the minimum rate of discount of the Bank of England. The minimum rate is nominally the rate at which the Bank of England itself will discount the best three months bills. In short, it is the official standard of discount. The rate has a direct relation to the movement of gold to and from London. For instance, the raising of the rate raises the value of money and is calculated to attract gold from foreign centers where the value of money is, for the time being at least, less. The directors of the bank often insure the effectiveness of the rate by borrowing in the money market, thus denuding it of supplies. As the raising of the bank's rate raises the value of money, so the lowering of it lowers the value of money.

BANK STATEMENT. In New York City a bank statement is issued from the New York Clearing House on each Saturday. The weekly statement is the collective showing made by the banks belonging to the Clearing House As-

sociation. This consolidated bank statement shows the average deposits, loans, specie, legal tenders, circulation, reserve and surplus reserve for the week ending with and including Friday.

The deposits include the credit balances of persons and concerns, balances to the credit of other banks, and all other money and credits subject to withdrawal. The item loans, includes money loaned and paper bought, such as promissory drafts, etc. Specie includes gold and silver coin and also gold and silver certificates, which are redeemable in gold or silver. Legal tenders means United States notes (greenbacks) and treasury notes (notes issued for silver bullion, purchased under the so-called Sherman act). Circulation means the notes issued by national banks which are secured by government bonds, deposited with the United States Treasurer. A bank cannot count circulation in its reserve, and whether it is its own circulation or the circulation of some other bank makes no difference. Reserve means the amount of specie and legal tenders held. Surplus reserve is the amount of specie and legal tenders held in excess of legal requirement. For instance, a national bank in New York City must, by law, maintain a reserve equal to 25% of its profits; a State bank must by law

maintain a reserve of 15%. In compiling a bank statement a reserve of 25% is allowed or figured for State banks as well as national banks. The bank statement is said to be made up on rising averages when the items in it have been increasing in amount during the week; or the statement is said to be made up on falling averages when the items in it have been decreasing in amount during the week. The bank statement is favorable or good when it shows that the position of the banks has been strengthened, as by an increase in the surplus reserve through an increase in the cash holdings rather than by a decrease in the deposits, which latter is often affected by the calling of loans. As money loaned is largely credited to borrowers on their deposit accounts and increases the total deposits of the banks, so the payment of loans by borrowers takes from and decreases deposits. It will thus be seen that the calling and payment of loans does not increase cash holdings, but merely changes balances in individual accounts. A reduction in deposits reduces the amount of cash required to be held as legal reserve, and correspondingly expands the surplus reserve.

The bank statement is understood to be unfavorable when the position of the banks has been weakened, as by a decrease in the surplus

reserve through a decrease in the cash holdings rather than by an increase in the deposits, which often is effected by an expansion in the loans, thus correspondingly expanding the deposits and increasing the amount of cash required to be held as a legal reserve. The bank statement may be said to be favorable, however, if an increase in loans is reported when the banks have a large surplus reserve. Also, it may be said to be unfavorable when money is idly accumulating in the banks and deposits are increasing, not as a result of increasing loans, but in the absence of a borrowing demand for money.

In addition to the statement issued by the clearing house banks on Saturday there is also issued on Monday what is known as the non-member bank statement, which shows the condition of the banks which are not members of the clearing house, but which clear through members of that institution. The non-member statement shows the loans, discounts, investments, specie, legal tender notes and bank notes, deposits with clearing house agents, deposits with other New York City banks and trust companies, net deposits, circulation, capital stock and net profits.

BEAR. A bear in Wall Street is a specula-

tor who works to secure or who believes in lower prices; in the stock market it is one who sells stock short, or advises the selling of stock short for the purpose of buying back at a lower price. A speculative dealer in grain, cotton or other commodities may be a bear as well as a speculator in stocks. For methods of operation pursued by bears see "Selling Short."

BILL OF EXCHANGE. A written order or request from one person to another for the payment of money to a third, the amount to be charged to the issuer of the bill. There is practically no difference between a bill of exchange and a draft. The term, however, is commonly applied to an order for money payable in a foreign country, whereas the term draft is applied to an order payable within the country of its origin.

Bills of exchange constitute a most important circulating medium. The wholesale transactions of the world between countries are affected by bills of exchange, which are not limited like bank notes to the country of their origin. When commercial bills of exchange are accompanied by bills of lading or warehouse receipts, or by other documents, they are of a superior nature. They command a lower rate of discount, or in other words, bring a better

price than bills not secured. In a stringent money market they are saleable when other bills are refused. See also Foreign Exchange.

BLIND POOL. When several persons contribute capital to a pool for operating in stocks or bonds, either on the long or short side, and only the manager of the pool knows in what way the money is to be used, it is known as a blind pool. The purpose of such a pool is to insure secrecy. Speculative blind pools are not uncommon undertakings in Wall Street.

BONDS. A bond is a certificate of obligation usually issued by a corporation to pay money secured by mortgage or otherwise. It is usually an interest bearing certificate, and issued in denominations of $1,000. There are many kinds of bonds, some being issued by corporations, others by municipalities or governments, and still others by individuals.

The securities issued by governments are generally designated as bonds, rather than stocks. The United States government issues are nowadays known as bonds, although they were many years ago known as stocks. Some of the securities issued by New York City are still designated as stocks, but American mu-

nicipalities usually now designate their securities as bonds rather than stocks.

A coupon bond is one both interest and principal of which are payable to bearer. Such a bond carries with it a series of coupons, usually attached to the bond itself, which are clipped off on the respective interest periods and deposited with the banks for collection by the holder of the bond in the same manner as checks are deposited. A registered coupon bond is one which bears the name of the owner, and only the principal can be paid to him. The interest, however, is still payable to bearer. A straight registered bond is one bearing the name of the owner whose name is registered on the books of the company issuing the bond, and the interest payments are made by checks forwarded to the address of the owner.

A gold bond is one which is specifically payable, both principal and interest, in gold coin; a currency bond is one which is payable with any kind of money that is legal tender. A large bond is one with a denomination of $10,000. A small bond is one of a denomination of $500 or less.

Investment bonds are issued in various denominations and at all rates of interest from 3% up to 7%. There are at least two dozen different kinds of investment bonds, such as

the various railroad bond issues, public utility issues, industrial issues, bonds on mines and other enterprises, in addition to government or municipal securities. The various kinds of bond issues are described throughout the pages of this book under their own titles or headings.

BOOKS CLOSE. This relates to the transfer books for stocks and registered bonds. Usually on an advertised date sometime prior to the payment of a dividend on a stock the transfer books close and the stockholders of record on that day receive the dividend when it is paid. On and after the day the stock books close the stock sells "ex dividend" or without the dividend. The transfer books are also usually closed on an advertised day prior to an election or other stockholders' meeting, and only the stockholders of record at the closing of the books can vote at that election or meeting. A contract in a stock falling due during the regular closing of the transfer books of the company is settled at maturity by the delivery of a certificate and power of attorney; on a contract which is at the option of the buyer or of the seller, notice for settlement may be given as if the books were open. In case the books are closed for a dividend, the person entitled to the latter receives a due bill for it.

BOOKS OPENED. When the transfer books of the company are opened the ownership of a security can be changed on the record, and at no other time. In other words, while certificates can change hands at any time, they cannot be formally transferred from one holder to another during the period between the closing or the opening of the transfer books of the corporation. See above under Books Close.

BOOK VALUE. The book value of a stock is based on the net profits or deficit of the corporation which has issued it. The term book value is more frequently used in relation to bank stocks than to the stocks of any other particular kind of corporation. To ascertain the book value of any particular bank stock the following process is adopted: If the official statement of a bank shows net profits (surplus and undivided profits) equal to say 75% on the stock outstanding, then the book value of the stock is the original amount of the stock, 100%, plus the equivalent in net profits, 75%, or 175. If, on the other hand, the bank shows no net profits, but instead shows a deficit equal to say 10% on the stock, the book value of the stock would be only 90. The book value of stocks of other corporations is ascertained in

the same manner, but is not nearly so simple for the reason that it is not usually easy to ascertain the uniform facts regarding assets, liabilities, surplus, and so forth, and when the information is obtainable it is usually too complex and involved for uniform and intelligent use.

BORROWING AND LENDING STOCKS.

When a speculator sells stock short or gives his broker an order to sell stock short, the stock must be borrowed to make delivery to the purchaser. This is usually a simple matter on the exchanges, as there are generally plenty of holders who are long of stock and possess certificates, who are just as anxious to loan it as the one who has sold the certificate short is anxious to borrow it. The lender of stock on the exchanges receives from the borrower the market value of it in money, but except when the stock is loaning "flat" or at a premium, the lender of the stock pays to the borrower interest on the money paid for the stock by the borrower. On the New York Stock Exchange, brokers who have stocks to borrow and to lend assemble immediately after the close of business on the Exchange, and those who need stocks borrow the amounts necessary to make deliveries the next day. Those who neglect to

borrow at this time must do so the next morning or before the delivery hour at 2.15 p. m. The same rules govern the receipt and delivery of stocks borrowed and loaned as govern stocks bought and sold. In returning borrowed stock the borrower must notify the lender before 1 o'clock on the day of delivery; the lender in calling or demanding the return of stock is required to do likewise.

When a stock is loaned "flat," the owner is relieved from the cost of carrying the stock. If loaned at a premium he is still better off, for the premium is clear gain. If a stock that has been borrowed advances in market price, the lender may require the borrower to pay to him the difference between the price at which the stock was loaned and the new higher price. On the other hand, if the stock declines in price, the borrower may require the lender to return to him the difference between the price at which the stock was borrowed and the new lower price.

When a corner is being worked in a stock, it is the practice of those engineering it, freely to loan the stock in order to encourage the creation of a short interest in it. When this short interest has become large enough, or in other words, when the stock has become sufficiently

oversold, a demand for the return of the stock brings the corner to a culmination.

An apparent borrowing demand for stocks is sometimes created by the efforts of money lenders to obtain higher interest on their money than is obtainable in lending it in the money market. If the lending rate for a particular stock is 6% when money is loaning at 4½% in the money market, the money lenders will borrow the stock in order to obtain the extra interest.

BUCKETING. As distinguished from the manner in which a bucket shop operates (see Bucket Shop), bucketing of stocks consists in sales by a broker for his own account and risk, against a customer's purchase or purchases by the brokers, against customers' sales. The purpose of the broker is sometimes to avoid the employment of money in carrying stocks, but more often it is to speculate against his customers' trades. In either case the broker wins if his customers lose or he loses if his customers win. For example, if the customer buys 100 shares of stock at 120 the broker sells 100 shares at the same price. A cross trade is thus made by the broker; the transactions balance and the broker does not have to pay out the money representing the cost of the stock

purchased for the customer. If the customer has put up 20% margin, the broker has the use of that entire margin for other purposes. If the stock goes down to 108 and the customer sells while the broker buys, the transactions again balance, and the customer loses 2% which the broker gains. On the other hand, if the stock goes up to 112 and the customer sells while the broker buys, the customer makes 2%, which the broker loses. The broker, however, reduces his loss by the extent of the commission which he receives from his customer. If the customer loses and the broker wins in the above illustration, the broker's gain is really 2¼% instead of 2%, while if he loses and the customer wins his loss is actually only 1¾%.

There are cases of frequent occurrence where some customers of a broker have bought, while others have sold a given stock on the same day and at about the same price. If more has been bought than has been sold the broker will sell enough to effect a balance; if more has been sold than has been bought the broker will buy enough to effect a balance.

BUCKET SHOP. A bucket shop is a place where bets are made on regular exchange quotations. No actual transactions take place.

The margin is put up by the customer and a commission is charged for buying and selling the same as on an exchange. When the quotation shows a profit to the customer he is privileged to demand the profit; when the limit of the customer's margin has been reached the customer has lost his bet and the transaction is closed. There are many large as well as small bucket shops in existence in the cities of the United States, and an enormous amount of trading is done in them. Inasmuch as more than 80% of the ordinary speculators fail to make money in the long run, it will be seen that the chances of money being made by the bucket shop are as five to one in comparison with the chances of the customer. In ordinary times, therefore, the bucket shop is almost sure to make money. It is only in the times of great bull movements, when for short periods the public in the market cannot help but make money in spite of their mistakes, that the bucket shop is apt to be on the losing side. At such times the bucket shop usually closes its doors, for the time being, before it has undergone very heavy losses. It is unnecessary to say that bucket shops are illegal, and from time to time, as charges are proven against them, they are closed up by the civil authorities.

BULL. This is the title usually given to a speculator in Wall Street whose attitude in relation to future prices is optimistic. That is, he believes in higher prices and works to secure them. A bull is therefore anyone who buys or favors buying stocks, grain, cotton or any other speculative commodity in the expectation of selling it at a higher price. See also Bear.

BUYERS' OPTION. In securities bought on the buyers' option the buyer may demand delivery of the stock on any day within the time specified on one day's notice to the seller. The buyer, unless the contract is "flat," pays the seller interest at the legal rate on the price of the stock up to the day of delivery. No contract or buyers' or sellers' option for less than four days, or for more than 60 days, can be entered into on the New York Stock Exchange.

CALL. A call on a stock or bond is a contract or written agreement binding the issuer to deliver to the holder the security named in the agreement within a specified time at a particular price, if the holder shall so demand. For example, A signs a promise to deliver 100 shares of a given stock to B at 110 at any time

within 60 days if B makes a demand for it. A sells this privilege to B for, we will say, $200. If, within the 60 days, the stock rises in price so that B can sell it at a profit above the cost of the privilege and commissions for selling, B then sells the hundred shares and calls on A to make the delivery of the certificate to him. Naturally the stock must go above 112⅞ before there is any profit in it for B. If the stock declines or does not go above 112⅞, B does not call for it and A makes the $200 on his risk, B losing just this amount. See also under Privilege. See also Put.

CALL LOAN. A call loan is a loan which is payable on call or demand. In Wall Street a very large amount of money is loaned on call by the banks to the brokers, the latter in all cases supplying collateral to cover the loan. By the New York Stock Exchange rules a demand for the payment of a call loan must be made before 1 p. m. on any given day and the payment must be made at or before 2.15 p. m. the same day. Also notice must be given to the loaner of intention to pay a call loan before 1 o'clock and the payment must be made by or before 2.15 o'clock.

CALLED BOND. A called bond is one which carries a clause giving the company is-

suing the bond the right to redeem the principal at a certain figure and at a certain time. Said right having been exercised, interest on such a bond usually ceases after the bond is called.

CAR MILES. A railroad term which signifies the number of miles traversed within a given time by all the cars on a railroad. The number of miles traveled by all cars, divided by the number of cars, shows the average number of miles traveled by each car. Most railroad reports give these figures when submitting statements of operations and earnings to their stockholders.

CHARTER. The charter or certificate of incorporation of a company is the authority conferred upon it by act of legislature which allows it to do business along certain lines as specified in the charter, which usually defines the general purposes and limits the privileges of the corporation.

CLOSE CORPORATION. An incorporated company, the stock of which is held by the managers or a very limited number of persons and is not in the hands of the public, is usually known as a close corporation. It is

sometimes assumed that only small companies carrying on limited kinds of business as successors to former partnerships in many cases are close corporations. This idea, however, is quite erroneous, as there are a good many corporations, the capitalization of which runs into the millions, which are in every essential respect close corporations. Usually in a close corporation there is an agreement or understanding among the few stockholders whereby each is prohibited from disposing of or selling his interest without the consent of the others.

COMMERCIAL PAPER. As generally understood, commercial paper means acceptances and promissory notes. Acceptances are drafts or bills of exchange which have been accepted. In large cities like New York there is a great deal of business done at all times in the buying and selling of commercial paper. Individual dealers buy from makers at one rate of discount and sell to banks and other dealers at a lower rate. Good commercial paper represents a high class of investment.

COMMON STOCK. Common stock is distinguished from preferred stock in that it has no preference as to dividends or assets. It is sometimes called general or ordinary stock.

When a corporation has an issue of preferred stock it is, of course, necessary to give the ordinary stock the title of common to distinguish it from the preferred. If, however, there is no issue of preferred or other stock outstanding, then the ordinary stock is not referred to as "common" but is simply known as plain capital stock. Sometimes there are, however, different kinds of common or ordinary stock, this being particularly true of some English issues. In such cases, a portion of the issue may be called deferred, for the reason that it may receive no dividend until a prior portion has received a dividend at a fixed rate. Often it is the custom to designate a portion of the issue as A stock and a portion as B stock to distinguish the two classes. This employment of A and B is also often used in connection with different classes of preferred stock. See Preferred Stock.

CONSOL. This term is really an abbreviation or contraction of the word consolidated. In England, however, it is specifically used in connection with the funded debt of Great Britain. The debt of this country is in the form of stock which represents a consolidation of various loans, and is therefore commonly known in modern times as English Consols.

This public debt, representing nine different loans, was consolidated in 1851 into 3% stocks or, as Americans would say, bonds. In 1888 the 3%s were converted into 2¾%, and in 1903 the rate was reduced to 2½%. The official name of English consols is Consolidated Annuities.

CONTANGO. This is a London Stock Exchange term referring to the charge paid by a buyer for the privilege of continuing a contract to the next fortnightly settlement. For instance, ⅛ to ¼ contango means that the bull (who is long) pays to the jobber ¼% for the accommodation and the bear (who is short) receives from the jobber ⅛%. One-eighth contango to ⅛ back (abbreviation for "back wardation") means that the bull pays ⅛% and the bear pays ⅛%. One-sixteenth to even means that the bull pays 1-16% and the bear carries over "at even," or in other words, pays nothing. Contango day means the first day of settlement on the London Stock Exchange, when arrangements are made to continue bargains or contracts. The same as continuation day or making-up day.

CORNER. A corner in a stock is created by the purchase of all the floating or purchasable

supply of a given stock, after which the price can be advanced by the operators of the corner at will. Speculators who are short of the stock and are unable to buy or borrow to make delivery to buyers, or to return stock which they have borrowed, are generally said to be "squeezed." In other words, they must settle with the buyers at the buyers' terms. Corners are created in grain, cotton, coffee and other commodities as well as in stocks.

COUPON BOND. A coupon bond is a bond which is payable to bearer without registration of the owner's name, and carries a coupon covering the interest on the bonds, which is clipped at each interest period and deposited for collection, the same as a check, or presented for payment at the office of the corporation issuing the bond or the corporation's agent. The great majority of bonds issued by steam railroads and other corporations for sale to investors are coupon bonds. Coupon bonds are much more available for speculative dealings and for selling generally. While they are, of course, no better secured and intrinsically worth no more than registered bonds, yet they usually are quoted at a fractionally higher price than the latter, for the simple reason that a change in ownership involves no formal trans-

fer beyond the mere delivery of the bond itself. In many cases coupon bonds are convertible at the option of the holder into registered bonds, and in some instances the registered bond can be converted back at will of the owner into a coupon bond. This is not, however, true in all cases. Many coupon bonds can be registered as to principal but not as to interest.

CUMULATIVE DIVIDENDS. This term carries the same meaning as accumulative dividends. If a dividend on a stock is accumulative it implies that all back dividends must be paid in full before current dividends can be paid. In other words, a stock on which the dividends are not cumulative can omit to pay its dividend when the management sees fit and in another year begin to pay a current dividend again without regard to the period which has gone by during which no dividend has been paid. On the other hand, a cumulative stock must sooner or later pay up all back dividends. A least this is the theory, although naturally if a company does not earn the money to make the payments it does not pay them, and the back dividends simply accrue from year to year on the stock. See also accumulative dividends.

CURRENT ASSETS. This term, as used in connection with the balance sheet of a railroad or other corporation, covers the so-called shifting or changeable assets as distinguished from the capital assets. In the case of the steam railroad, current assets usually include cash on hand, loans and bills receivable, accounts receivable, amounts due from other companies and individuals, amounts due from companies' agents, advances to other companies, etc. The capital assets as distinguished from the current include cost of road and equipment, permanent investments, etc.

CURRENT LIABILITIES. Current liabilities as distinguished from capital liabilities of a railroad or corporation, include loans and bills payable, accounts payable, payrolls and vouchers, interest and dividends accrued, amounts due to other companies, etc. Capital liabilities, on the other hand, cover capital stock, bonded debt, mortgages assumed, etc.

CUTTING A MELON. When a corporation makes a large extra distribution to its stockholders either in the shape of an extra large cash dividend or a stock dividend, it is usually said that the company is "cutting a melon."

DEBENTURE. A debenture, or, as called in this country, a debenture bond, is simply a certificate of indebtedness or promise to pay issued by a corporation. In other words, it is not a mortgage. It usually differs from the average income bond in that it contains a promise to pay a certain amount of interest at stated periods. While an income bond is sometimes a mortgage and not a debenture, yet as it cannot be foreclosed before maturity, which may be 50 years away, the position of the principal of the two classes of bonds is therefore practically the same. In England a debenture bond or stock is sometimes secured by a mortgage, but not usually.

DEFAULT. A default on a bond is simply the failure to perform or fulfil the obligation to pay the interest or principal when due. Usually a default furnishes ground for application for a receivership, although in some instances mortgage bonds carry a clause which does not allow the holder to begin foreclosure proceedings until the bond has defaulted over a certain stated period. For instance, in the case of the United States Steel Corporation second mortgage 5s, the holder could not begin foreclosure proceedings until the bond had

been in default in the payment of its interest for at least two years.

DISCRETIONARY ACCOUNT. In stock speculation a discretionary account is an account, the handling of which is intrusted to the broker with whom it is open. While there are conditions under which it is necessary for a broker to act on his own discretion, yet most reputable brokerage houses dislike to do this, and many of them refuse to.

DIVIDEND. A dividend is the stockholders' share of the divisible profits of a corporation, usually paid to him in cash at certain stated periods. There are, of course, various conditions under which dividends are paid, and in many cases they are not paid in cash. For instance, a "scrip" dividend is one payable in scrip, or in other words in a small certificate bearing interest at the legal rate and which is usually converted into stock, but has no voting power and is entitled to no dividend until converted into stock. A stock dividend, however, is one payable in the stock of the company, and is large enough to enable the holder of the stock to receive a full certificate and not fractions or scrip. Cash dividends are usually sent by check to the owner of the stock, in whose

name the certificate stands. In case the owner of the stock has not had his certificate transferred to his name before the closing of the books, the dividend, of course, is sent to the former owner and he must pass it on to the new owner. When a speculator is short of a stock on which a dividend becomes due, he is obliged to pay the amount of the dividend to the person from whom he has borrowed the stock certificate to make delivery to the person to whom he has sold the stock.

EQUITY. The equity in a property is understood to be the difference between the value of the property mortgaged or otherwise encumbered and the amount of the obligation to secure which the property is pledged. For instance, the equity in a loan is the difference between what the securities pledged as collateral are worth and the amount borrowed on them. Securities are usually accepted as collateral by the banks at about 80% of their market value, that is, the lender will usually lend $80,000 on securities of the market value of $100,000. The difference, of course, between the market value of the securities and the amount of the loan is the equity. The term equity back of the bonds is often used by dealers in investment securities, and refers

usually to the total market value of all the securities which may be junior in lien or position to the specific security which is referred to. Thus, if a property has secured on it a bond issue of $10,000,000 and the property itself has a capital stock of $40,000,000, the stock being quoted at par, then the equity above the mortgage is about $30,000,000. If the stock is quoted at 150, the equity above the mortgage would presumably be about $50,000,000.

EXCHANGE. The word exchange in finance refers to the payment of an obligation in one place by the transfer of a credit from another place. By this operation the obligation is discharged without the direct borrowing of money. The exchange itself is an order obtained in one place for the payment of money in another place. There is really no practical difference between a bill of exchange and a draft. The term bill of exchange is usually applied to an order for money payable in a foreign country, whereas the term draft is applied to an order payable within the country of its origin.

EX-DIVIDEND. This term means without or not including a dividend. For instance, dividends on stocks are usually declared pay-

able on a certain day after the transfer books of the corporation have closed. This may be five days or it may be 30 days. During this period the stock cannot be transferred from one name to another, and it therefore sells from that time on at a new price, which is usually measured by the amount of the dividend which has been declared and on which the books have closed. Thus, unless specifically arranged otherwise, no stock during this period will carry the dividend which will be mailed when the books open, as the dividend goes to the owners of stock of record on the day the books close.

EX-INTEREST. This means without interest or not including interest, and applies usually to bonds. Registered bonds sell ex-interest in the same way that stocks sell ex-dividend when the books are closed. In the case of coupon bonds the term ex-coupon is used in the same sense. Of course, in the case of coupon bonds no books are closed, and the bonds sell ex-coupon from the day that the coupon is paid and cut off the bond.

EX-RIGHTS. A stock that is sold ex-rights does not convey to the buyer the privilege to

participate in any right that may recently have been granted to the stockholders.

FIXED CHARGE. A fixed charge is one that becomes due regularly and at stated intervals and permanently. For instance, in the case of railroads, fixed charges include interest on bonded debt, interest on floating debt, sinking fund charges, rentals, taxes, etc. Failure to pay these charges usually constitutes a legal default and cannot be deferred except by agreement of all parties concerned.

FLAT. The term flat is used in relation to bonds or other securities which are sold without interest. That is, the interest is not computed and added to the price, but is, to a more or less extent, embraced in the price itself. In other words, the accrued interest, whatever it may amount to, is included in the net figure which is named as the price. In the stock market, when stock certificates are loaned flat the lender does not have to pay interest to the borrower of the stock. Ordinarily the borrower of stock pays the lender the market value of the stock, and the lender pays interest to the borrower on this money. When a stock is lending flat it signifies that this particular stock is not in adequate supply, or at least it

is not easy to obtain by borrowing. When, on the other hand, a stock is lending at a premium the borrower not only receives no interest on the money that he advances to the lender, but he also has to pay whatever amount may be agreed upon for the use of the stock. In such a case the stock is very scarce on the market or it is very difficult to obtain.

FLOATING DEBT. The floating debt of a corporation is the unfunded indebtedness; that is, indebtedness not represented by permanent security. Usually, floating debt consists of money directly borrowed; money owed for miscellaneous purposes, and money payable within a short period.

FOREIGN EXCHANGE. Foreign Exchange is, briefly, the payment of an obligation in a given place in one country by the transfer of a credit from a given place in another country by means of a bill of exchange, as for instance, a bill drawn in New York and payable in London.

For instance, A in London owes $100,000 or the equivalent in pounds sterling to B in New York; likewise C in New York owes $100,000, or the equivalent of that sum, to D in London.

A in London buys a bill of exchange on New York collectible in New York, for the amount of his obligation and forwards it to B in New York; likewise C in New York buys a bill of exchange on London collectible in London for the amount of his obligation and forwards it to B in London. Thus, both A and C have paid what they owed, while B and D have received what is due them, and no money has crossed the ocean in settling the accounts.

A merchant in New York usually pays for goods bought in Paris or London with a bill of exchange or draft purchased from a bank or banker in New York, which is payable by the correspondent in London or Paris, as the case may be, of the New York bank or banker. The bill of exchange thus saves trouble, time and expense to the remitter. It is payable in French or English money as the case may be, and is purchased at the equivalent in United States money. Such is the method where exchange is bought.

Following is an instance where exchange is sold: A in New York makes a shipment of goods to B in London for which immediate payment is to be made. A makes out a draft on B for the amount due him and attaching to the draft the bill of lading for the goods sells the draft to a dealer in foreign exchange

in New York, who forwards it to his correspondent in London for collection from B. Thus, A receives pay for his goods as soon as they are shipped, and does not have to first ship the goods, then wait for them to reach London and then wait for a ship to bring back gold in payment for them, nor even to wait for the mail to bring back a draft bought by B in London on some bank or banker in New York; much less has he to wait for B to receive the goods, draw a check on his own (B's) bank in London and send it to him (A in New York) who would have to sell the check to some dealer in foreign exchange in New York. B, on the other hand, by receiving the bill of lading for the goods when the draft is presented to him for payment, knows not only that the goods have been shipped to him by A, but by possession of the bill of lading holds actual title to them.

Bills payable on demand or sight are called sight bills; bills payable in ten to thirty days are called short bills; bills payable in sixty days or in a longer period are called long bills. There are also cable transfers by which money (or credit) is transferred by cable. These for brevity are called cables. Bills drawn by banks or bankers against their credits abroad are called bankers' bills. These include letters of

credit. Bills drawn against shipments of commodities or manufactures are called commercial bills. Specifically, grain-bills are drawn against grain shipped and cotton-bills are drawn against cotton shipped.

FOUNDERS' SHARES. Shares which are sometimes given to the founders and promoters of a company; such shares generally divide the surplus profits with the common shares after a certain percentage has been paid on the latter. These shares are seldom created in this country, being chiefly the result of an English custom.

FRANCHISE. A franchise is a privilege conferred by grant from a government or municipality to a corporation or an individual. For instance, the right to construct a railroad from one point to another and operate the same over a given period of years constitutes a franchise. Also, a privilege given to a street railway, gas or electric light company or water company to operate on certain streets or within certain limits for a given period more or less exclusively, constitutes a franchise. These franchises are, in modern times, very largely capitalized; the capitalization being measured by the value given to the property

through its earning power. This earning power is of course fluctuating, and as the municipalities grow the earning power usually grows also. Therefore the franchise value which may have been small when the franchise was granted, sometimes grows to a very vast extent. Thus, the public utility franchises of New York City, many of which were of doubtful value when granted, have grown to be assets of enormous value and have been heavily capitalized.

FUNDED DEBT. A funded debt of a corporation is a debt usually running some years and represented by one or more issues of bonds. It is distinguished from floating debt chiefly by its relatively permanent character. While a floating debt may represent capital which has been borrowed for permanent uses, yet a funded debt nearly always represents this. Funded debt is also a term used for the liabilities of the British government, such as have been issued in the form of permanent or long-dated securities, as distinguished from the floating debt, which is in the form of exchequer bonds and treasury bills, and is regarded as temporary. This distinction, however, is not always clear, as the English War Loan issued

in 1900 and payable in 1910 is called a floating debt, but should be rated as funded debt.

GOLD BONDS. A bond which is specifically payable, principal and interest, in gold. In the days before 1896, when there was much doubt in the minds of investors as to the probability of the United States maintaining the gold standard, corporations found it necessary to insert what was called the gold clause in the mortgages they issued. Otherwise investors would not so readily purchase the bonds and it was difficult to float any issues which did not include the gold clause. The reason for this was that in the event of the currency system of this country going on a silver basis the principal and interest of the bonds would have been payable in this depreciated currency, and the investor would therefore lose possibly one-half of his principal. At the present time the gold clause is, of course, unnecessary, as there is no doubt whatever about the permanency of the gold standard in this country.

GRANGER RAILROADS. This is the Wall Street name which is given to the railroad systems of the west, like the Chicago, Burlington and Quincy, Chicago, Milwaukee & St. Paul, Chicago & Northwestern, Chicago

& Alton, Rock Island, etc. These railroads are called granger roads because many years ago a wide agitation was carried on by the State Granges in the particular sections where these railroads run. The grange agitation was of such national interest and for so long a time affected the position and earning of these particular properties, that they came to be known as the granger roads, and have carried the name ever since. The mere fact that they carried grain had nothing to do with this particular appellation, as there are many other roads which nowadays carry as much, if not more grain than these systems and which are not included among the grangers.

G. T. C. When these letters are used with an order to buy or sell stock or commodities, they mean that the order is good till countermanded or good till cancelled.

GUARANTEED BONDS. A bond, the payment of the principal and interest of which is guaranteed by another corporation. When a railroad leases another railroad it frequently guarantees the principal and interest on the bonds of the leased road. Sometimes this guarantee is shown by endorsement on the

bond itself and sometimes is simply provided for in the lease.

GUARANTEED STOCK. A stock the dividends on which are guaranteed by a company other than the one which issued the stock. When a railroad leases another road it frequently guarantees the dividends on the stock of the leased road.

HOLDING COMPANY. This is the same as a security company. That is, a company which owns the securities of other companies and depends for its income upon the interest and dividends yielded by these securities. It frequently issues bonds as well as stock itself. The most notable example of a holding company in the railroad field was that of the Northern Securities Co., which, however, was dissolved as being illegal by the United States Courts. It planned to hold the stocks of the Great Northern and Northern Pacific Railroad companies and possibly of other companies also. A holding company is frequently also an operating company. For instance, the Pennsylvania Railroad is both a holding company and an operating company. It operates several thousand miles of railroad and in addition holds a majority of the stocks and many

other securities of a large number of other railroads. On the other hand, the Pennsylvania Company of Pittsburg, itself controlled through stock ownership by the Pennsylvania Railroad, is a pure holding company, and simply holds the stocks and certain other securities of the various Pennsylvania lines west of Pittsburg and Erie. The New York Central Railroad is a holding company as well as an operating company. This is also true of all the large systems such as the New Haven, the Union Pacific, Baltimore & Ohio, Illinois Central, etc. The Reading Company on the other hand, is simply a holding company, and holds a majority of the stocks of railroads like the Philadelphia & Reading, New Jersey Central, as well as the stocks of certain coal and iron companies in the anthracite coal fields.

HYPOTHECATION. This implies the pledging of securities or other property as collateral for loans. When securities are pledged for a loan the title to them is surrendered for the time being to the bank or lender with which or with whom they are pledged. On the London Stock Exchange stock or securities pledged as collateral are said to be pawned.

INCOME ACCOUNT. This is the revenue account, and in the case of most corporations

it embraces such items as gross earnings, operating expenses, net earnings, income from other sources, fixed charges and other deductions for dividends, dividend charges and surplus.

INCOME BASIS. The income basis of an investment is the percentage of return on the price. As for example, the percentage that the interest on a bond or the dividend on a stock equals when calculated on the cost of the bond or stock. A stock paying 6% which is bought at 120 yields 5%, therefore, this stock at 120 is on a 5% basis.

INCOME BOND. A bond that is presumably a lien on the net income or earnings of a corporation after all prior charges have been paid. It receives interest only when earned, and is somewhat similar in character and position to a preferred stock, with the exception that a preferred stock usually has voting power. An income bond is not usually a mortgage, and even when it is, it cannot be foreclosed before maturity, provided the provisions regarding interest payments on earnings are technically adhered to.

IRREDEEMABLE BOND. A bond which cannot be redeemed or paid off, but the interest

on which goes on forever. There have been many such issues made by European governments and municipalities, but very few have been issued in this country.

JOINT BOND. A bond in which the payment of the principal and interest is assumed by two or more parties or corporations who are jointly bound. There are many such issues among railroad bonds. The most frequent instances are where two or more railroads use the same station or terminal property at a given point, and jointly issue a mortgage for the purpose of expanding or improving the said property. The bond is usually issued by the terminal company itself, and then jointly guaranteed as to both principal and interest by the railroad companies which use the property.

KAFFIRS. This is the London Stock Exchange name for all shares of South African mining, land, industrial and other companies.

KANGAROOS. This is the London Stock Exchange name for shares of all West Australian mining, land, industrial and other companies.

KITING. Kiting is, simply stated, the incurring of a fresh obligation to discharge an old one. The commonest form of kiting is by means of checks. For example, a depositor in a bank has issued a check which overdraws his account. He makes out another check, obtains cash for it elsewhere than at the bank, and deposits the cash in the bank in time to meet the first check. Two or three days may elapse before the second check reaches the bank, and before its arrival another check has been made out and the cash obtained for it and deposited. So the process may continue.

A person engaged in kiting may arrange to exchange checks with one or more persons, and thus enlarge the circle of operations to greater and greater degrees. He may also gain time by sending his checks to other places which are remote from his bank. It is unnecessary to say that check kiting is illegal.

LISTED STOCKS. Stocks which have been placed on the regular list of the New York Stock Exchange or other stock exchanges, and are thereby admitted to dealings on the exchanges, are commonly known as listed stocks. In the case of the New York Stock Exchange there are two classes of stocks; those known as listed securities and

those known as unlisted securities. In order that a security may be listed certain rules must be conformed to by the company making the application, these rules bearing particularly upon the financial statement submitted by the company. With the unlisted securities, however, the case is somewhat different. The latter are not obliged to submit details regarding their earnings or financial condition. In the method or scope of dealings on the floor of the exchange there is, however, no difference between listed and unlisted securities.

LOMBARD STREET. A street in London, located in the financial district. The name Lombard Street, however, applies to the whole banking center of London. The name was probably originally given to the street for the reason that some of the Lombard Jews, who began banking in Italy in the Ninth Century, afterwards went to London and settled in this particular locality.

LONDON QUOTATIONS. A quotation on the London Stock Exchange means the price at which the jobber or dealer will either buy or sell. Thus, when a jobber quotes 99¾—100¼ it means that he will buy at 99¾ or will sell at 100¼. When, in giving a quota-

tion the "middle price" is named, it means the price midway between the jobber's buying and selling price. In the above quotation the middle price would be 100. On the New York Stock Exchange, on the other hand, the quotations (except "bid" and "asked") are the prices at which actual transactions take place.

LONG ACCOUNT. This term designates a stock or other account on the ledger of a broker which shows one or more purchases made in expectation of a rise in the price of the particular security which is in the account. The same term also applies to similar purchases of grain, cotton, coffee, etc. It is just the reverse of "short account," the latter designating securities sold "short."

MANIPULATION. In speculation this term is applied in a broad sense, to the various operations employed for the working of stock or other quotations up or down, or both ways, as the case may be. Among the familiar methods employed for thus affecting the prices of securities, is the dissemination of reports, sometimes true and sometimes false, to affect the prices of particular stocks; the circulation of rumors, coloring of news or suppression of facts. In the sensitive, mercurial atmosphere

of Wall Street, rumors are often most potent in affecting stock quotations, and often prices are temporarily changed to a very absurd and abnormal extent by such methods. In addition, there are other more positive ways of manipulating prices, a favorite one being what is known as "wash sales." "Washing" in Wall Street consists of buying and selling a given security at the same price and at the same time. The operator wishes to advance a stock in price and gives to one broker an order to bid the stock up on a scale; that is to say, the broker is instructed to offer to buy a certain amount of stock, bidding for each lot ⅛ of one per cent. above the last price paid. At the same time, the operator gives another broker an order to sell the same amount of stock at similar prices. Thus, other things not interfering, the operator raises the price of the stock without actually buying anything. If, on the other hand, the operator desires to depress the price of a stock, similar methods are employed, except that they are reversed.

Pools are often formed in Wall Street to manipulate stocks, in which cases, everything is usually done on a much more comprehensive scale than when only a single operator is carrying on the washing process.

MARGIN. The money deposited with a banker or broker by an operator or speculator in stocks or in grain, cotton, coffee, and so forth, to protect the broker against loss. In other stocks the amount of margin required by a broker varies from 5% to 20% of the par value, according to the kind of security dealt in, or the character of trading done. The average margin is 10%, which is equal to $1,000 on 100 shares of stock, or on $10,000 of bonds.

Stocks or bonds bought on margin by a broker for a customer are at all times, in the absence of an agreement to the contrary, subject to the order of the customer. A customer has the right to demand delivery at any time of the securities upon payment of the amount owing on them, including commissions, interest and any other proper expenses or charges. At the same time, unless there is a specific agreement to the contrary, the broker may at any time, upon giving proper formal notice, require the customer to "take up"; that is, pay in full for the stocks or other securities which are being carried. If the customer is short of stocks the broker may demand that he buy the stocks or otherwise close out his account.

When 100 shares of stock is bought at the New York Stock Exchange on a 10% margin (the price being $100 per share), the broker

executing the order receives the stock and pays $10,000 for it to the broker from whom it is purchased. The buying broker having received only $1,000 from his customer, thus advances $9,000 additional, which he treats as a loan to the customer, holding the stock as security for the money so advanced. On the amount of money so advanced he charges the current rate of interest. Should the stock be later sold at 115, $11,500 could be received for it. The gross profit on such a transaction would be $1,500, but from this amount would be deducted the broker's commission and the interest on the money advanced by the broker.

In the event of a stock declining below the purchase price, the customer is of course required to deposit more margin. If he fails to do this, the broker has the right to "sell him out"; that is to say, to sell the stock for what it will bring, after which he will return to the customer whatever balance, if any, is due the latter, less whatever commissions, interest or other expenses that may have properly been charged.

If a speculator sells a stock short he deposits margin the same as he does when he buys a stock. If the stock is sold at 100 and is bought back at 90 the speculator's profit would be $1,000, less the broker's commission. Should

the stock advance to any considerable extent, the customer is, of course, required to deposit sufficient additional cash to keep his margin intact; in the event of his failure so to do, the broker may close him out by buying in the stock at the lowest price and settling the difference, if any, less the commission, etc.

MATCHED ORDER. A Wall Street term, which means an order to buy and sell the same stock; such an order is usually employed for the purpose of artificially raising or lowering the price of a stock. It is the same as stock-watering.

MILEAGE. Means length or distance in miles. The road mileage of a railroad is the length in miles of the railroad itself. Track mileage is the length in miles of the tracks of the railroad, each mile of double track being counted as two miles; side tracks and switching tracks also being counted and included in the mileage. Track miles means the same as track mileage.

Train mileage is the number of miles traversed by a particular train; or the number of miles, collectively, traversed by all trains of a railroad. The result attained by adding together the number of miles traversed by all

trains and dividing by the number of trains shows the average number of miles traversed by each train. Train miles means the same as train mileage.

Car mileage is the number of miles traversed by a particular car; or, again, it is the number of miles, collectively, traversed by all cars. The result attained by adding together the number of miles traversed by all cars and divided by the number of cars shows the average number of miles traversed by each car. Car miles means the same as car mileage.

Ton mileage is the number of miles the whole number of tons are hauled. The average number of miles each ton is hauled (transported) is ascertained by adding together the number of miles each ton is hauled and then dividing by the number of tons. Ton miles means the same as ton mileage.

Passenger mileage means the number of miles, collectively, traveled by all passengers. The number of miles traveled by all passengers, divided by the number of passengers shows the average number of miles traveled by each passenger. Passenger miles means the same as passenger mileage.

MIXED LOAN. A loan secured by collateral of different character, as railroad and

industrial stocks, instead of railroad stocks alone or industrial stocks alone.

MONETARY. Pertaining to money or finance; consisting of money; financial; pecuniary; as monetary convention, monetary union, etc.

MONETARY STANDARD. The standard of value established by law as the basis for the money of a country. By long process of evolution or natural selection gold and silver have been left in possession of the field to the exclusion of everything else, and now all the monetary systems of the world are based on one or the other or both together. Gold, however, is rapidly becoming the universal standard in law as it has been in fact for many years.

Great Britain first adopted the gold standard (1816). One by one the nations have fallen into line, the United States as recently as 1900, leaving the Latin Union as the most important representative of the double standard system, while the use of silver is practically confined to the Far East and to Mexico and some parts of Central and South America.

The bimetallic system in its unrestricted form has proved a failure owing to the wide

variation in value between gold and silver, and no nation any longer undertakes to coin both gold and silver in unlimited quantities. The countries which still retain nominally the double standard, place severe restrictions on the use of silver, and mint it only on government account, while gold is coined as freely as it is offered.

Thus, gold has become practically the standard of the world, for not only do the double standard countries restrict the use of silver for the purpose of keeping their silver money at a parity with gold, but the silver standard countries in all international transactions are forced to use gold as the basis of exchange.

The value of a gold coin depends on the amount of pure gold it contains; therefore, governments in establishing their monetary standard and monetary unit declare by law the weight and quantity of the coin in which values are to be measured. Thus, in the United States, where gold is the standard and the dollar the unit, it is enacted that a gold dollar shall contain 23.2 grains of pure gold and 2.6 grains of alloy, making the weight of the dollar 25.8 grains of standard gold .900 fine. In Great Britain the unit is the sovereign or pound sterling and contains 113 grains of pure gold and 10.27 grains of alloy, making the standard

of fineness .916 2-3 instead of .900 as in the United States and most other gold-using countries.

MONEY BROKER. A dealer in coin and paper money and in foreign money; also one who borrows and lends money for others.

The regular commission of a money broker for negotiating a time loan (a loan for a specified time) is 1-32 of 1% of the amount borrowed or $31.25 on $100,000. The commission is paid by the borrower.

A money broker receives nothing from the borrower or the lender for effecting a call loan. The reason is that a call loan may continue for a day only. The broker expects the free negotiation of call loans to bring business to him when the borrower on call becomes a borrower on time.

MONEY MARKET. This is a term applied to the business of lending money and not to a place where money is loaned, for there is no specific place (in New York) for lending money.

In New York the banks, trust companies and insurance companies are the chief lenders of money, but there are other corporations and not a few firms and individuals who are lend-

ers. As in every other market, supply and demand are the factors which determine prices, or in other words, the rates exacted for the use of money. If the demand is large and the supply small, rates are high; if the demand is small and the supply large, rates are low.

Money is stiff when it commands high rates of interest. It is tight when it is difficult to obtain even at high rates; in these circumstances there is a pinch or stringency in money. There is a squeeze in money when it cannot be borrowed except at exorbitant rates; in a squeeze a premium as well as interest is exacted on call loans. A premium of 1/8% a day and interest (at the rate of 6%) figuring on the customary basis of 365 days in a year, means a rate equal to 52% a year.

MONEY RATES. Means the rates of interest at which money is lending. There are different rates for call money (money loaned on call—that is, returnable on the demand of the lender) and time money (money loaned on time—that is, loaned for a specified period). The rates for call money are usually lower than those for time money. For additional information see Call loan; also see Time loan.

MONOMETALISM. Exists in a country

when the currency of the country is based on a single metal, as either gold or silver.

MORTGAGEE. The grantee under a mortgage; the one to whom the mortgage is executed.

MOVABLE EXCHANGE. If foreign exchange is quoted and also is payable in the money of the country where collection is to be made, it is called movable exchange. For instance, exchange on Paris is quoted in francs in New York and is therefore movable exchange. The dollar is the basis and the franc fluctuates instead of the dollar in which it is reckoned. The opposite of movable exchange is fixed exchange.

MUNICIPAL BONDS. Those issued by a borough, town or city possessed of a charter of incorporation conferring privileges of local self-government.

NATIONAL DEBT. Same as public debt; the debt due from a nation to individual creditors.

The national debt of the United States consists of bonds, United States notes (greenbacks), old demand notes (notes issued prior

to the present United States notes), national bank notes for the redemption of which money has been deposited by the issuing banks, fractional currency, gold certificates, silver certificates and Treasury notes (issued for the purchase of silver bullion).

NET. Clear of all charges or deductions as actual profit or actual loss. The net earnings of a stock company are the earnings left after deducting expenses.

Brokers on the outside or curb market in stocks often take an order net, which means that the customer will deliver or receive the stock, as the case may be, at a fixed price. The broker receives no commission but is allowed to make as much on the transaction for himself as he can.

NEW YORK CLEARING HOUSE ASSOCIATION. The official title of the organization under which the associated banks of New York conduct daily clearings.

The association was organized September 13, 1853, and clearings were begun on October 11 in the basement of No. 14 Wall Street. The first day's clearings amounted to $22,648,109.87 and the balances to $1,290,572.38. The number of banks making clearings was 52. The first

manager was George D. Lyman, who had been a teller in the Bank of North America. The association now owns the handsome white marble building Nos. 79 to 83 Cedar Street.

NEW YORK STOCK EXCHANGE. The New York Stock Exchange is an unincorporated voluntary association, and while it is not a corporation neither is it a partnership. It exists, however, under a written constitution and by-laws. Neither the constitution of the New York Stock Exchange nor the rules and regulations of the London Stock Exchange in express terms state the object for which those bodies were organized, but they are so manifest that a statement of them has not been deemed essential.

The New York Stock Exchange has its origin in an agreement dated May 17, 1792, by "Brokers for the Purchase and Sale of Public Stock." By public stock was meant government securities; in other words, government bonds. At that time the brokers met and did business under a buttonwood tree that stood in front of the dividing line between the present Nos. 68 and 70 Wall Street. In 1817 a constitution was adopted under the name "New York Stock and Exchange Board." On Janu-

ary 29, 1863, the present name, "New York Stock Exchange," was adopted.

The membership of the New York Stock Exchange is limited to 1,100. The admission fee is $2,000, but this is in addition to the cost of a membership itself, which depends on the "state of the market" for seats, as memberships are called. A membership is obtained by buying the seat of a retiring, deceased or expelled member. A member is elected for life, or until he resigns or is expelled.

Expulsion from the exchange forfeits membership, but not the proceeds of it. Temporary insolvency involves suspension. Permanent insolvency involves loss of membership, and the proceeds of the membership are applied to the payment of the claims of creditors who are members of the exchange. If there is a surplus, it goes to the member or to his assignee, if he has been declared a bankrupt.

When a member dies his seat may be disposed of by the committee on admission and the proceeds delivered to his executor or the administrator of his estate.

NEW YORK STOCK EXCHANGE CLEARING HOUSE. The place where the differences in the accounts of the brokers on the New York Stock Exchange are settled.

Before the establishment of the clearing house a broker who had made sales of stock was obliged to send the stocks to the office of the various purchasers and collect payment from them. At the same time brokers from whom he had bought stocks were obliged to send the stocks to his office and collect payment from him. A broker may have made sales to the amount of $500,000, and purchases to the amount of $475,000. He was compelled to make collections and payments for the full amounts, whereas under a clearing house plan he might have settled all the transactions in one operation, and by the payment of only the difference of $25,000.

Now, a broker, at the end of each day, makes up a sheet called a clearing house sheet, containing his purchases and sales. On one side of the sheet (the left hand side), the broker puts down his purchases, each purchase having a line for itself. In each transaction the name of the broker from whom the purchase was made comes first and then in order follow the numbers of shares, the name of the stock, the price at which purchased, and finally, the amount in dollars of the purchase. This side of the sheet is headed "Received from," meaning that the broker has contracted to receive the stocks enumerated.

The other side of the sheet (the right hand side) contains the list of stocks sold (made out in the same order as the list of stocks bought), and this side of the sheet is headed "Delivered to," meaning that the broker has contracted to deliver the stocks enumerated.

If his purchases amount in money to more than his sales, he accompanies his sheet with a check drawn on his own bank and payable to the clearing house bank (a bank in which the clearing house account is kept). If his sales amount in money to more than his purchases he accompanies his sheet with a draft on the clearing house bank, which is accepted by the manager of the clearing house (made collectable by the indorsement of the manager). This draft is returned to the broker and is deposited by him in his own bank for collection in the ordinary course.

If the broker has bought more of any particular stock than he has sold or sold more than he has bought, there is a stock difference (as well as a money difference) to be settled, but the settlement of this stock difference is provided for when the sheet is made up. If, for instance, the broker has bought 200 shares of a certain stock and has sold 100 shares he receives the difference or balance of stock, which is 100 shares. Some other broker who

sold 100 shares more of the stock in question than he bought is directed by the manager of the clearing house to deliver this extra 100 shares to the first broker. The first broker credits himself on his sheet with the amount in money of this stock at the settling price, while the second broker charges himself with the amount of it on his sheet.

The settling price is an arbitrary price fixed by the manager of the clearing house. Each day at the close of business the manager of the clearing house sends out through the ticker the settling prices for the various stocks for the use of brokers in making up their clearing house sheets. In their use in making up the sheets they are called making-up prices; in their use in making settlements they are called settling prices. These settling prices are the even prices next nearest to the last prices of the day. Thus, if the last price of a stock was 99¾ or 100¼ the settling price would be 100.

The broker who bought 200 shares may have bought them at 99½, and the 100 shares which he sold may have been sold at 100½. If the settling price was 100, he would put down the extra 100 shares due him in the sold column at 100, the same as if he actually had sold the stock at 100.

Then his account would figure out thus: Bought 200 at 99½, which equals $19,900; sold 100 at 100½ and 100 at 100, which equals $20,050. The difference is $150, which the broker collects by draft on the clearing house. Had he not included the 100 shares at 100 he would have owed $8,850. To the broker who delivers the 100 shares to him at 100 he gives a check for $10,000.

This particular part of the operation (the delivery of the stock and collection for it), is wholly outside of the clearing house. Deducting from this $10,000 the $150 received in the clearing house settlement, his net payment is $8,850, exactly what it would have been had he not included the 100 shares at 100 in the clearing house sheet.

No matter if the broker bought more stock than he sold, or sold more than he bought, or what the prices may be or how many stocks may be included in his sheet, the system employed in clearing his sheet accomplishes its end. Inasmuch as the differences both in cash and stocks are provided for in the clearing house sheet, there is, when the general settlement is concluded, no balance left of either cash or stock. There was, of course, as much of each stock sold as was bought, because there was a seller as well as a buyer at the same

price in each individual transaction, and, accordingly, there was as much receivable in the aggregate as there was payable. Both sides of every account are bound to balance or equalize when the differences in the stock and money are figured out and put down in the proper places.

The broker who is short of stocks in his sheet (who sold more than he bought), must borrow the stocks that he is short of for the deliveries which he is directed by the manager of the clearing house to make.

Not all stocks that are dealt in on the New York Stock Exchange are cleared through the stock exchange clearing house. Only those on the clearing house list are cleared. The stocks on this list are the ones actively (largely) dealt in. If an inactive stock becomes active it is put on the list; if an active stock becomes inactive it is taken off the list.

Transactions in stocks not on the clearing house list are not reported to the clearing house at all. Settlements in these stocks are made between the brokers in the ordinary course of business. For another thing, only stocks bought and sold "regular way" (in the regular way) and at seller 3 are cleared.

Stocks bought and sold "regular way" are put on the clearing house sheet on the day

they are bought and sold, but are deliverable on the following day. Stocks bought and sold at seller or buyer 3 are not delivered until the third day after they are sold, and are not put on the clearing house sheet until the second day after they are bought and sold; they are put on the clearing house sheet at the selling price on the second day.

NON-ASSENTED STOCK OR BONDS. Stock or bonds which the owners refuse to deposit under an agreement by which their status will be changed. For additional information see Readjustment.

NON-CUMULATIVE STOCK. Stock on which dividends, if not paid, do not accumulate—that is, if dividends are not paid for a period they have not subsequently to be paid for the period when they were not declared.

NON-INTEREST-BEARING. Bearing or paying no interest. The money issued by the United States government, since the government pays no interest on it, is a non-interest-bearing obligation; the bonds issued by the United States government, since the government pays interest on them, are interest-bearing obligations.

NOTE BROKER. One who effects the sale of promissory notes. A note broker is different from a money broker. The commission of a note broker is generally ⅛ or ¼ of 1% of the amount of the note. This commission is paid by the one for whom the broker sells the paper. The buyer pays no commission.

ON A SCALE. A term used in speculative operations in stocks, meaning buying or selling, as the case may be, at stated intervals, in prices as prices decline or advance. For instance, buying at 100, 98, 96, 94 and 92 would be buying on a 2% declining scale. Reversing the order of prices would be buying on an ascending scale. The operation of selling on a scale is conducted in the same fashion.

ON MARGIN. When stocks are bought or are sold short on margin a percentage of the par (face) value, say 10%, is deposited with the broker to secure him against possible loss. The amount deposited is margin.

For information as to margin or speculative operations in stocks bonds, grain, lard, pork, short ribs, cotton, coffee and silver bullion see margin.

OPTION. Property bought or sold to be received or delivered by the buyer or seller in

accordance with the terms agreed upon. Sometimes the buyer pays for the privilege of calling for the delivery of the property within a certain time if he so wills, but he is not obliged to take it; sometimes the seller pays for the privilege of delivering the property.

In speculation an option is the purchased privilege of either receiving or delivering a specific amount of anything (as stocks, grain, cotton, coffee, etc.) at a specified price within a specified time.

In stocks bought on the buyer's option the buyer may, when the option is for four days or more, demand delivery of the stock on any day within the time specified on one day's notice to the seller. In stocks sold on seller's option, when the option is for four days or more, the seller may deliver the stock to the buyer on any day within the time specified on one day's notice to the buyer.

When a dividend becomes due on a stock during the pendency of an option on it the dividend is collected by the seller of the stock, who holds it, allows interest on it and pays the dividend, with the interest on it, to the buyer on the settlement of the contract. When an option on a stock matures during the closing of transfer books, the seller of the stock gives to the buyer of the stock a due bill for the

amount of the dividend which is payable when the dividend is paid, but the due bill does not bear interest.

OPTIONAL BOND. A bond maturing (expiring) at a specified date, but which may be redeemed (paid and cancelled) after a designated date at the pleasure (option) of the company (or government) issuing it. Thus, a bond maturing in fifty years, but which may be redeemed after ten years, is an optional bond.

ORDINARY STOCK. Common or general stock. In Great Britain, when an ordinary (common) stock has been divided into two parts, one part, called deferred, receives no dividend until the other part, called preferred, has received a dividend at a fixed rate. The deferred stock is called A stock and the preferred stock is called B stock.

This B or preferred stock is not the same as preferred stock in the United States. What in the United States is called preferred stock is in Great Britain called preference stock, and preference stock in Great Britain may be divided into two or more classes called first preference, second preference, etc., just as preferred stock in the United States may be di-

vided into two or more classes called first preferred, second preferred, etc. When, however, there is but one class of preference stock ahead of an ordinary stock in Great Britain, the B or preferred stock is equivalent to second preferred stock in the United States.

OUTSIDE BROKER. A broker who is not a member of an exchange; one who deals in securities that are not dealt in on a stock exchange. A dealer in the outside market or on the curb is an outside broker. In New York such a broker is not a bucket shop keeper; see Bucket Shop. In London an outside broker is one who is not a member of the London Stock Exchange, and is sometimes described as a bucket shop keeper. Many English outside brokers, however, conduct a perfectly legitimate business.

PAR. The face value. On the New York Stock Exchange if the face value of a stock is $100 it is at par when it is selling at 100. It is above par when it is selling at a higher price, as 101; it is below par when it is selling at a lower price, as 99. Half-stock (stock of the face value of $50) also is at par when it is quoted at 100% which in this case means $50. The face value of a stock is divided into 100

parts for quotation purposes, no matter what the face value may be, and each part is called 1% or 1 point. Therefore, when a half-stock is quoted at 101 it is one point above par, which means that the stock is worth $50.50 a share; when it is quoted at 99 it is 1 point below par, which means that the stock is worth $49.50 a share. The same principle applies to quarter stock (stock of the face value of $25) and, in brief, to stock of any face value.

In some markets stocks are quoted in dollars instead of by percentage. Thus, in such markets if a stock of the face value of $100 is selling at 100 it is at par; if selling at 101 it is 1 point above par; if selling at 99 it is 1 below par. Likewise, if a stock of the face value of $50 is selling at 50 it is at par; if selling at 51 it is 1 above par; if selling at 49 it is 1 below par. So, also, if a stock of the face value of $25 is selling at 25 it is at par; if selling at 26 it is 1 above par; if selling at 24 it is 1 below par; and so on.

PAR OF EXCHANGE. The par of foreign exchange is the fixed intrinsic value of the currency unit (monetary unit) of one country expressed in the terms of the currency of another country which uses the same metal as a standard of value. Thus in United States gold

money is 4.11 shillings, or 4 shillings 1.31 pence in English gold money, or 5 francs 18.26 centimes in French gold money, or 4 reichmarks (marks) 19.79 pfennig in German gold money, or 2 guilders (florins) 48.78 cents in Netherlands (Holland) gold money, and so on.

If the price paid for a bill of exchange just equals the amount for which it is drawn, then exchange is at par; if more is paid exchange is above par; if less is paid exchange is below par.

Between a gold standard country and a silver standard country there can exist no fixed par of exchange, for the reason that silver, unlike gold, has not a fixed value; in other words, silver being merely a commodity, its value depends on the state of the market for it.

PARTICIPATING BOND. Comparable to an income bond, inasmuch as the return to the holder in interest depends on the extent of the revenues so applicable.

The first bonds to bear this name were issued in 1902, and were designated "4 per cent. and participating bonds." These bonds were in effect collateral as well as income bonds. The company which issued the bonds owned stock in another company, and this stock was deposited and pledged as security for the principal of the bonds. Interest at 4% was guar-

anteed by the company which issued the bonds and the bonds were also entitled to receive interest in excess of 4% as permitted by the dividends paid on the stock securing the bonds beyond the amount necessary first to provide for the 4% as guaranteed.

PASSENGER DENSITY. A term used in railroad accounting, meaning the result obtained when the total number of miles of passengers carried is divided by the number of miles of road operated.

PASSENGER MILES. A railroad term; the number of miles, collectively, traveled by all passengers. The result attained by adding together the number of miles traveled by all passengers shows the average number of miles traveled by each passenger. Passenger mileage means the same as passenger miles.

PASSING A DIVIDEND. Failure to declare a dividend that had previously been regularly paid. When the directors vote not to pay a dividend that previously had been regularly declared the dividend is stopped; when the dividend simply is not declared it is passed.

PLAIN BOND. A bond not secured by mortgage or collateral and without a sinking

fund provision. A debenture bond being (as a rule) merely a promissory note in the form of a bond is a plain bond.

POOL. This term applies when interests join together for mutual advantage.

The anthracite coal pool, as it formerly existed, was an agreement whereby each company belonging to the pool was to mine a certain percentage of the total production. The production for each month was determined in the preceding month. The purpose of the pool was regulation of both output and prices. By restricting the output to the consumptive demand, control of prices was accomplished. A schedule of prices was prepared for each month and all the companies made sale of coal in accordance with it. The anthracite coal pool was declared illegal by the courts on the ground that it was in restraint of trade.

PREFERENCE STOCK. This is the English designation for stock that is preferred over other classes as to dividends and assets. It is equivalent to what in the United States is called preferred stock when there is only one class of preferred stock, or to what is called first preferred when there are two classes. Preference stock is sometimes divided into classes, as first

preference, second preference, etc., with the right to dividends in the order named.

PREFERRED ORDINARY STOCK. English—also called B stock—receives a dividend at a fixed rate before any payment can be made on the deferred ordinary stock. For additional information see Preferred Stock.

PREFERRED STOCK. Stock that is preferred as to dividends and assets; it must receive a dividend before a dividend can be paid on the common stock, and in a distribution of assets it participates ahead of the common stock. Cumulative preferred stock is stock the dividends on which, if not paid regularly or in full, accumulates, and must be paid in the future before a dividend can be paid on the common stock.. Preferred stock is the English designation for preferred ordinary (common) stock. When for dividend purposes the ordinary stock of a company has been divided into two parts called preferred or "B" stock and deferred or "A" stock, the dividend on the "A" stock is deferred until a fixed amount has been paid on the "B" stock.

This "B," or preferred stock, is not the same as preferred stock in the United States. What in the United States is called preferred stock

is in Great Britain called preference stock, and preference stock in Great Britain may be divided into two or more classes called first preference, second preference, etc., just as preferred stock in the United States may be divided into two or more classes called first preferred, second preferred, etc. When, however, there is but one class of preference stock ahead of an ordinary stock in Great Britain, the "B," or preferred stock, is equivalent to second preferred stock in the United States.

Preference stock is sometimes divided into classes, as first preference, second preference, etc., with the right to dividends in the order named.

PREMIUM. The amount named in excess of the par (face) value. When a stock, for instance, is selling at a premium, the premium is the amount it brings beyond its par or face value. When a stock is lending at a premium (see Borrowing and Lending Stocks), the premium is the amount paid by the borrower of the stock to the lender of it for the use of it. The purpose, usually, for which a stock is borrowed is to enable the borrower, who has sold it short (sold stock he did not possess), to make delivery to the purchaser.

In Great Britain when a stock or other se-

curity is at a premium the premium is reckoned at so much in the pound on shares and at a percentage on stock or bonds.

In insurance in Great Britain the premium is the consideration paid by the policy holder for insurance. Thus, a premium of 20 shillings per cent. means that 20 shillings is the premium on each £100 insured.

PRINCIPAL. The capital sum upon which interest is payable; also, the one who employs a broker or other agent.

A principal is responsible for the act of an agent, but an agent who exceeds his authority renders himself personally liable.

A person who has given money to his own agent to be delivered to his creditor cannot set up the claim that he has paid his creditor unless the money actually reaches the creditor. In other words, while the money is in the control of the agent of the debtor it is at the debtor's risk, and it cannot be charged against the creditor any more than if it remained in the debtor's own hands.

PRIVILEGE. A general name for a call, put, spread or straddle, information as to each of which is furnished under its own title.

There can be no loss to the buyer of a privilege beyond the amount paid for it. Privileges are legal and are enforceable as contracts, but they are not recognized by the New York Stock Exchange.

Privileges are often bought as a protection against loss on transactions in the stock market. Illustration: One hundred shares of stock are bought at 100. A put under which the stock can be delivered at 98 is purchased for 1%, which makes the net price of the put 97. Then, if the stock goes down to say 94, the stock owned by the holder of the put can be put (delivered) to the issuer of the put at 98 so that the net loss is only 3% instead of 6%, as would be the case if no put had been bought and the stock had to be sold at 94. On the other hand, should the stock go up to say 106, only the cost of the put would have to be deducted from the profit on the stock.

In the case of a stock sold short a call would be employed for protection against loss. If the stock were sold short at 100 and if a call at 102 were purchased for 1% and the stock advanced to 106, the net loss would be only 3%, as against 6% if no call had been purchased and the stock had to be covered (bought back) at 106. If the stock against which the put was bought went down to 94, only a deduction of

1%, the cost of the put, would have to be made from the profit on the stock.

Calls and puts on grain are based on the same general principle as those on stocks, but they are not employed to any extent except to limit loss. In some states puts and calls on grain are illegal.

PROXY. A person who is empowered to represent another in a given matter; the name is also given to the instrument by which a person is empowered so to act.

A person who votes by proxy on stock belonging to another is said to hold a proxy on the stock.

PUT. A put (on a stock) is a contract or written agreement binding the issuer to receive from the holder, stock named in the agreement within a certain time at a certain price if the holder shall so demand, or in other words, shall elect to deliver (put) the stock. For example, A signs a promise to receive 100 shares of some specified stock from B at 100 at any time within 60 days if B so demands. A sells this promise to B for, say $100. If, within the 60 days, the stock falls in price so that B can buy it at a profit, B buys it at the lower price and calls on A to receive the stock. The stock

must go below 99 before there is a profit for B. If the stock advances or does not fall below 99, B, of course, does not deliver (put) it and A makes $100 on his risk. In delivering the stock B must give one day's notice, except on the last day, when no notice is required.

If a dividend becomes due on a stock during the pendency of a put on it the dividend goes to the seller of the put if the stock is put (delivered) to him. A dividend always goes with the stock.

A put on grain or any other speculative commodity is based on the same general principle as in the case of stocks.

PYRAMIDING. A system of enlarging operations by use of paper profits (profits in transactions not yet closed and consequently not yet in hand).

Illustration: One hundred shares of stock of the par value of 100 is bought at 10 on a margin of 5%. The stock advances to 15. There is a profit of 5% which can be used as margin in the purchase of 100 shares more. The price goes up to 20. There is then a profit of 5% on the second lot and an additional profit of 5% on the first lot, so that there is an unencumbered profit of 10% on 100 shares or 5% on 200 shares. The profit is utilized as margin for

the purchase of 200 shares more. The price goes up to 25. Then there is an unencumbered profit of 5% on the whole 400 shares or 20% on 100 shares. This profit is used to buy 400 shares more.

Then, perhaps, the price drops to 20. There being only 5% margin on the whole 800 shares the whole accumulated profit of $3,500 disappears, as well as the margin of 5% provided for the purchase of the first 100 shares. Should the price go on up to 30, however, the profits would be increased by $4,000, which would provide 5% margin for 800 shares more of stock, making the total amount of stock held 1,600 shares, 1,500 of which would have been purchased with profits.

Selling stock at intervals on a decline, using profits for margin, is pyramiding, as well as buying it on profits on an advance.

RAILROAD EARNINGS. In compiling railroad reports the total earnings or receipts from traffic are set down as gross earnings and the remainder, after deducting operating expenses (cost of handling traffic), is net earnings. To net earnings is added other income (usually derived from investments, which are often in the form of securities held to control other roads) and the total is gross income (as

distinguished from gross earnings). From gross income are paid rentals and other charges, interest requirements (commonly called fixed charges), etc. The remainder is designated as net income. From it are paid dividends and what is left is surplus.

In reporting gross earnings it is the practice to divide each month into four weeks. The first seven days are counted as the first week, the second seven days as the second week and the third seven days as the third week, while the remaining days of the month are counted as the fourth week. In a month of 30 days the fourth week consists of nine days, and in a month of 31 days it consists of ten days. Thus, the fourth week may contain two Sundays.

The custom is to compare railroad earnings in a given period with those in the corresponding period in the year before. Railroad traffic is light on Sunday, so that when a fourth week containing two Sundays is compared with a fourth week containing only one Sunday, or vice versa, allowance must be made for the difference in the number of working days (week days). Likewise, in a monthly report of earnings a month may contain five Sundays, whereas the same month in the preceding year may have contained only four Sundays, or the reverse.

A railroad as a rule makes a weekly report of gross earnings; it makes a monthly report of gross and net earnings, with deductions for charges of all kinds, so that a monthly report takes account of everything in the month in question; and finally, the road makes a yearly (annual) report which is a consolidation of the twelve monthly reports with details added, and with remarks by the president and other officials.

READJUSTMENT. Sometimes called simple adjustment; a readjustment is when the financial reconstruction or rehabilitation of a railroad or other corporation is voluntary—that is, by concurrence of the security holders. Reorganization, as distinguished from readjustment, is when the financial reconstruction is compulsory—that is, when it is effected by a receivership and foreclosure.

In a readjustment (a financial reconstruction that is voluntary) bondholders may exchange their bonds for new bonds bearing a lower rate of interest than the old ones, but in such a case the loss in interest is compensated for by the delivery to the holders of the bonds who make the exchange of a bonus in (a gift of) stock or in some other security, such as income bonds (income bonds receive interest

only if earned). Or, the bondholders may exchange their bonds for a smaller amount of new bonds, receiving stock or income bonds as compensation for the surrender of a portion of their holdings.

Again, cumulative stock may be exchanged for a larger amount of non-cumulative stock. Or, the exchange may be on even terms, with compensation for the surrender of the cumulative right on the stock.

The compensation usually takes the form of a bonus of some kind as, for instance, income bonds.

Financial readjustments without foreclosure to enforce them are not numerous.

Bonds and stocks, the holders of which agree to accept the terms of a readjustment plan, are termed assenting bonds and stock; bonds and stock the holders of which do not accept the terms of a readjustment plan are termed non-assenting or unassenting bonds and stock.

REGISTERED BOND. A registered bond is one registered in the name of the owner, and the bond itself bears his name. Such a bond is transferable the same as a stock certificate. The bond itself contains a form for assignment and transfer. When a registered bond is trans-

ferred a new bond is issued for the old one just as when a stock certificate is transferred a new certificate is issued for the old one.

The interest on a registered bond is paid by check, which is sent by mail to the postoffice address of the owner of the bond. Due notice of change of address should, therefore, be given. The old address should be given as well as the new one.

There are some registered coupon bonds, but such issues are not numerous.

REGISTERED COUPON BOND. A bond the principal of which is payable only to the one whose name is inscribed on it, and in whose name also the bond is registered (entered on the books of the company issuing it), while the coupons calling for the payment of the interest as it becomes due, are payable to the bearer.

REHYPOTHECATION. The hypothecation again of collateral already hypothecated. Rehypothecation, except by consent of the owner of the collateral, is illegal.

RELEASED INDORSED BOND. Any indorsement on a coupon bond stating that it has been deposited as security for bank circulation (bank notes) or for insurance require-

ment may be released by an acknowledgment of the release before a notary public; it will then be a delivery in accordance with New York Stock Exchange rules as a released indorsed bond.

REORGANIZATION. When the financial reconstruction or rehabilitation of a railroad or other corporation is voluntary—that is, by concurrence of the security-holders—the term readjustment applies. When the financial reconstruction is compulsory—that is, when it is effected by a receivership and foreclosure—the term reorganization applies. Most reconstructions are compulsory; they seldom can be effected except by legal process following insolvency.

The method of reorganization is ordinarily as follows: After default has been made in interest on bonds, say the first mortgage bonds, a receiver is appointed, after which a plan of reorganization is formulated. Provision usually is made in the plan whereby the first mortgage bonds, together with the accumulated unpaid interest, are to be paid in full. Such holders as may desire to do so take for their bonds, bonds of a newly formed company, with perhaps stock for the unpaid interest. Such holders as prefer cash for their

bonds and unpaid interest are paid in cash. It sometimes is the case that the holders of bonds who take bonds of the new company for their old bonds receive the unpaid interest in cash.

The money to pay those bondholders who prefer cash (and to pay unpaid interest if it is to be paid in cash) and to provide other needed funds and working capital, is raised by levying an assessment on the stock (on the holders of the stock at so much per share). Then an order for sale of the property under foreclosure is obtained from the court (the property being under the control of the court after the appointment by it of a receiver).

The sale wipes out the bonds and the stock. The proceeds of the sale, however, must go toward the liquidation of the mortgage debt. The property (generally) is bid in by a committee of the bondholders for the benefit of the bondholders. The reorganization plan (generally) is primarily in the interest of the bondholders and only secondarily in the interest of the stockholders.

REPUDIATION. The rejection, in whole or in part, of a contract, debt or obligation. The term applies in particular to the rejection

or mandatory scaling of its debt by a government.

The repudiation, as applied to the rejection of a debt by a state, was first used in 1841 when the state of Mississippi repudiated bonds issued to railroad companies which failed to comply with conditions on which they received them.

RUPEE PAPER. Securities of the government of India, interest and principal being payable in rupees in India and by bills of exchange on Calcutta in England.

SCRIP. Usually the term is applied to a certificate for a fraction of a share of stock and usually, also, scrip is convertible into shares when presented in amounts equal to the face value of a full share.

It has no voting power or dividend rights until converted into full shares of stock, although sometimes interest is paid on it.

Scrip was also the name given to United States paper currency of denomination less than $1, which is no longer issued; such money was commonly called "shin plasters."

In Great Britain it is the practice to issue scrip to represent instalments paid on subscriptions for stock; when all instalments are

paid the scrip is exchanged for stock certificates.

SCRIP DIVIDEND. One payable in scrip, or in other words, a due bill, sometimes bearing interest at the legal rate and usually convertible into stock, but having no voting power and entitled to no dividend until so converted.

SECOND MORTGAGE. The mortgage that is a lien after the first mortgage.

SECURITIES COMPANY. Same as holding company; a company which owns the securities of other companies and depends for its income upon the interest and dividends yielded by these securities. It usually issues bonds as well as stock itself. Its bonds are collateral trust bonds, being secured by bonds or stocks of other companies owned by it. A securities company is not necessarily a controlling company—it is not necessary that it should possess a majority of the stocks of the companies whose securities are included in its assets.

SELLER'S OPTION. A seller's option is, in effect, a put. In stocks sold on seller's option the seller may, when the option is for more

than three days, put (deliver) the stock on any day within the specified time on one day's notice to the buyer. In a contract for four or more days the buyer, unless the contract is flat (without interest), pays to the seller interest at the legal rate on the price of the stock up to the day of delivery. The amount of a dividend becoming due during the pendency of a contract is payable by the seller to the buyer.

No contract on seller's (or buyer's) option for less than 4 days or which extends beyond 60 days can be entered into on the New York Stock Exchange.

SELLING SHORT. In Wall Street this consists in selling stocks not owned, and borrowing them for immediate delivery. When finally bought in (covered) the borrowed stocks are returned. If, in the interval between selling and buying, the stocks have declined, the trade is profitable; if there has been an advance it is unprofitable. See Short.

SETTLEMENT, The. The fortnightly settlement on the London Stock Exchange, which formerly lasted for three consecutive days, now takes four days, as the "carry-over" in mining shares begins the day before the ordinary "carry-over." According to the London cus-

tom, payments and deliveries in stock transactions are made only twice a month instead of every day as is the case in New York.

SHORT. One who has sold a stock which he does not possess and has borrowed the stock for delivery to the buyer, is short of that stock. One who is short of several stocks is said to be short of the market. One who is short is a bear.

The object of selling short is, of course, to repurchase subsequently at a lower figure. The rules of the New York Stock Exchange enforce the completion of each transaction entered into "regular way" on the day following the transaction. Hence, the speculator who has sold short is forced to borrow the stock he has sold, but does not own and make actual delivery of it next day to the purchaser. This he accomplishes through his broker by paying the market value of the stock to the one from whom he borrowed it and then returning the borrowed stock to the lender when he has covered, or in other words, bought back the stock.

When a speculator is short of stock (has sold stock which he did not own) on which a dividend becomes due, he has to pay the amount of the dividend to the person from

whom he borrowed the stock, to make delivery to the one to whom he sold the stock.

In speculation in grain, cotton, coffee and other commodities, contracts to receive and deliver the property are entered into the same as in stocks.

SINKING FUND. A fund to which are contributed amounts of money at specified times for the redemption of a debt. For instance, when a sinking fund is established for the redemption of an issue of bonds a certain amount of money is added to the fund each year (or at other stated intervals) until finally the fund amounts to enough to redeem (pay off) the bonds.

Sometimes the money paid into a sinking fund is invested in other bonds (or other securities), the interest payments (or dividends) received from which help to swell the sinking fund. It is not infrequently the case that a sinking fund is established to redeem drawn bonds.

SINKING FUND BOND. A bond, provision of the payment of the principal of which, is made by the creation of a sinking fund. See Sinking Fund.

SPECIAL AID BOND. One of an issue in aid of some enterprise, as a railroad or manufacturing concern, which is expected to benefit the nation, state or municipality which issues the bonds.

SPECIAL ASSESSMENT BOND. One of an issue of municipal bonds payable, principal and interest, from special taxes levied upon particular property, for an improvement from which this property derives special benefit.

SPREAD. A spread is like a straddle, a double privilege, a put and a call combined. If the stock goes below the price named in the put end (or part), plus the cost of the spread, the holder of the spread profits; so, also if the stock goes above the price named in the call end (or part), plus the cost of the call, the holder of the call profits.

Illustration: A spread on 100 shares may be bought on which the stock may be called (called for) at 102½, or put (delivered) at 97½. Say, 2½% ($250) is paid for the spread. Then the stock must go above 105 or below 95 before there is a profit in the spread.

If a dividend becomes due on a stock during the pendency of a spread on it the dividend goes to the holder of the spread if he elects to

receive and pay for the stock, but it goes to the seller of the spread if the stock is put (delivered) to him. A dividend always goes with the stock.

STOCK POWER. The name given to the irrevocable power of attorney used in assigning or transferring title to a certificate of stock.

STOP ORDER. When an order is given to a broker for the purchase of a stock, for instance, at 100 with instructions to "stop it" at 98, it means that the stock is to be sold if it declines to 98. On the other hand, if a stock is sold short at 100 with instructions to "stop it" at 102, it is to be bought back if it advances to 102. A stop order is employed principally to limit loss in speculation; in such a case it is specifically designated as a stop-loss order.

STRADDLE. A straddle is like a spread, a double privilege, a put and a call combined, but only one price is named in it. The stock may be called (called for) or put (delivered) at this price. The stock must go up or down more than the amount paid for the straddle before there is a profit in it. Illustration: A stock is selling at 100 and a straddle on 100 shares is bought at this price, for which 5% ($500) is

paid. The stock, therefore, must go above 105 or below 95 before there is a profit to the purchaser of a straddle.

If a dividend becomes due on a stock during the pendency of a straddle on it, the dividend goes to the holder of the straddle if he elects to receive and pay for the stock, but it goes to the seller of the straddle if the stock is put (delivered) to him.

SYNDICATE. As a financial term syndicate means several bankers or capitalists who join together to carry out or to insure the carrying out of some plan or scheme which involves a large amount of money.

The commonest form of syndicate is an underwriting syndicate. For instance, the capital stock of a company (or a certain amount of it) is to be offered for public subscription at, say, 100 (par). An underwriting syndicate is organized and it underwrites the entire issue at 90. It, in effect, buys the whole issue at 90. The stock taken (subscribed for) by the public practically is sold for account of the syndicate, for it receives the difference of 10% between the price at which the stock is sold to the public (100) and the price at which it is underwritten by the underwriting syndicate (90). The syndicate is obliged to take

the stock not sold to (subscribed for by) the public, but it has to pay only 90 for it as against 100 which the public has to pay. If all the stock is taken by the public (as is often the case) the underwriting syndicate has not to take and pay for any stock, but simply receives and divides among its members (in proportion to their shares in the syndicate) the amount represented by the difference of 10% between the price of the stock to the public and the price to the underwriting syndicate. If some of the stock is not taken by the public it may be apportioned among the members of the syndicate, but usually it is sold (in the open market or otherwise) for the syndicate.

TIME LOAN. Wall Street designation for money borrowed for a specified period, usually not less than 30 days nor more than six months, the repayment of which is secured by the deposit of collateral (stocks and bonds) with the lender.

TON MILE COST. A railroad term, meaning the average cost per mile of carrying each ton of freight.

TON MILES. A railroad term; the whole number of miles the whole number of tons was

hauled. The result attained by adding together the number of miles each ton was hauled and then dividing by the number of tons shows the average number of miles each ton was hauled (transported). Ton mileage means the same as ton miles.

TRAIN MILES. A railroad term; the number of miles traversed by a particular train; or, the number of miles collectively traversed by all trains of a railroad. The result attained by adding together the number of miles traversed by all trains on a railroad and dividing by the number of trains shows the average number of miles traversed by each train. Train mileage means the same as train miles.

TRANSFER. The act of placing a certificate of stock or a registered bond in the name of a new owner. The new owner of a stock which is in receipt of dividends or of a registered bond upon which interest is paid, should have it transferred into his name before the closing of the books for a dividend or for interest for the check for the dividend, or interest will be sent to the person in whose name the stock or bond stands.

TRUSTEE STOCK. A stock of the highest

class in which trustees are authorized by law to invest.

TWO DOLLAR BROKER. A member of the New York Stock Exchange who executes orders for other members for $2 per hundred shares, and whose participation in transactions ends with the simple act of buying or selling.

UNASSENTED STOCK OR BONDS. Stock or bonds which the owners refuse to deposit under an agreement by which their status will be changed. For additional information see Readjustment.

UNDERLYING MORTGAGE. A mortgage anterior and prior in claim to another mortgage, as, for instance, when speaking of a second mortgage the first mortgage is the underlying mortgage.

UNDERWRITER. One who insures; a member of an underwriting syndicate. For additional information see Syndicate.

UNIFIED BONDS. Another name for consolidated bonds or consols; an issue of bonds created to unify or consolidate or refund (take up and replace) two or more previous issues.

UNLISTED STOCKS. This is the common designation for stocks which, in official terms, have been "admitted to quotation" in the "unlisted department" of the New York Stock Exchange. Admitted to quotation means admitted to dealings.

VALUE BILL (of exchange). A draft (bill of exchange) drawn against a consignment of property. For instance, if A in New York ships goods to B in London and draws on B for the value of the goods, attaching the bill of lading, insurance policy, etc., to the draft (bill of exchange), the bill is a value bill.

Again, if a banker in New York sells securities to a banker in London and draws on the bank in London for the value of the securities, attaching the securities to the draft (bill of exchange), the bill is a value bill.

VOTING TRUST. This is created by placing the stock of a company, either all or a majority, in a trust, usually for a specified period, for voting purposes. Thus, the control of the company is locked up in the hands of trustees. Receipts for the stock are issued, and these may be dealt in and receive dividends the same as the stock itself, but they have no voting power.

VOTING TRUST CERTIFICATE. When the stock of a company is lodged in a voting trust so that the voting power of the stock is confined to the trustees of the voting trust (commonly designated voting trustees), certificates or receipts for it, called voting trust certificates, are issued in place of and represent ownership of the stock. The certificates are dealt in and transferred the same as the stock, and when the voting trust terminates or is dissolved the certificates are exchanged for the stock itself.

If dividends are declared on the stock while the voting trust is in force, they are paid to the holders of the voting trust certificates. The certificates, in brief, are in all respects the equivalent of the stock, with the exception that they do not possess voting power.

WASHING. A Wall Street colloquialism used to describe the operation of simultaneously buying and selling the same stock for the purpose of making quotations, and generally for the purpose of inducing speculation in the stock by imparting apparent activity to it. The transaction is fictitious and so is the price.

WATERED STOCK. A colloquialism used when the capital stock of a company is in-

creased in amount without a corresponding increase in assets. When a stock is declared the original stock is watered to that extent, unless the new stock represents added property or value in some form.

WHEN ISSUED. A term employed when dealing in a stock not yet issued. When a stock is sold "w. i." it is deliverable when, as and if issued. This is a stock future corresponding to a grain, cotton or coffee future, except that it is indefinite as to time.

X-D. Ex-dividend, that is, without the dividend. If a stock upon which a dividend has been declared is sold and the sale is not to include the amount of the dividend, the stock is sold ex-dividend.

X-I. Ex-interest; that is, without interest, or in other words, interest not included.

PART II.

Characteristics of Leading Steam Railroad Preferred Stock Issues.

ATCHISON, TOPEKA & SANTA FE RY CO. 5% NON-CUMULATIVE PREFERRED STOCK. The total capital of this system consists of $114,199,530 preferred and $102,998,000 common stock. Par of both issues, $100. The preferred stock has preference as to assets and non-cumulative dividends not exceeding 5% per annum, as declared out of net profits. No new mortgage or increase in preferred stock can be made without the consent of a majority of all the preferred stock and of all the common stock represented at the meeting. Dividends on the preferred stock are paid semi-annually, June & December 1, by check. Listed on the New York Stock Exchange. Transfer office, 5 Nassau St., New York.

BALTIMORE & OHIO RR CO. 4% NON-CUMULATIVE PREFERRED STOCK. The total outstanding capital of this system consists of $60,000,000 preferred and $152,604,100 common. Par of both issues, $100. The preferred stock has preference as to assets and non-cumulative dividends, not exceeding 4% per annum as declared out of net profits. Both classes of stock were vested in a voting trust for five years from July 1, 1899, but the trust was dissolved and the trustees delivered the stock on September 12, 1902. Dividends on the preferred stock

are paid semi-annually March & September 1 by check. Listed on the New York Stock Exchange. Transfer agent, E. M. Deveraux, 2 Wall St., New York.

BUFFALO, ROCHESTER & PITTSBURGH RY 6% NON-CUMULATIVE PREFERRED STOCK. The total outstanding capital of this system consists of $6,000,000 preferred and $10,500,000 common. Par of both issues, $100. The preferred stock has preference as to assets and non-cumulative dividends not exceeding 6% per annum. After the preferred and common stocks have both received 6% dividends in any one year, both classes of stock share equally in any further dividend. Payments on preferred stock are made semi-annually February and August 15, by check. Six per cent. has been regularly paid on both classes for some years. Listed on the New York Stock Exchange. Transfer agent, John H. Hocart, 36 Wall St., New York.

CANADIAN PACIFIC RY 4% NON-CUMULATIVE PREFERRED STOCK. Total outstanding capital of this system consists of $37,853,333 preferred and $121,680,000 common. Par of both issues, $100. The preferred stock, commonly called preference, has equal voting power with the common; has preference to 4% non-cumulative dividends and must never exceed one-half the amount of common stock outstanding. Payments of dividends are made semi-annually April & October 1 by check. Transfer agent, Bank of Montreal, Montreal, London and New York.

CHICAGO & ALTON RR 4% NON-CUMULA-

TIVE PREFERRED STOCK. Total outstanding capital of this system consists of $899,300 4% cumulative participating and prior lien stock; $19,544,000 4% non-cumulative preferred and $19,542,800 common. Par, $100. The cumulative 4% participating and prior lien stock has priority for dividends up to 4%, and is entitled to receive additional dividends equal to the rate of dividends, if any, declared on the common stock. The non-cumulative preferred has preference to the 4% dividend over the common stock. Listed on the New York Stock Exchange.

CHICAGO & NORTHWESTERN RY 7% NON-CUMULATIVE PREFERRED. Total outstanding capital of this system consists of $22,395,000 preferred and $99,516,200 common. Par of both classes, $100. Preferred stock has prior right to dividends up to 7% per annum, after which the common stock is entitled to 7%; then the preferred is entitled to 3% more, and then the common to 3% more, after which both share alike in any further distribution. Preferred dividends are paid quarterly January, by check. Listed on the New York Stock Exchange. Transfer office, 52 Wall St., New York.

CHICAGO, ST. PAUL, MINNEAPOLIS & OMAHA RY PREFERRED STOCK. Total outstanding capital of this system $11,259,911 preferred and $18,558,963 common. Par of both classes, $100. Preferred stock has preference as to 7% non-cumulative dividend, then common stock is to receive 7%, after which both stocks share equally in any further distribution of earnings. Dividends are paid semi-annually February & August 20 by check. Listed

on the New York Stock Exchange. Transfer office, 52 Wall St., New York.

CHICAGO, MILWAUKEE & ST. PAUL RY PREFERRED STOCK. Total outstanding capital of this system, $49,654,400 non-cumulative preferred and $58,183,900 common. Par of both classes, $100. Preferred stock has preference as to dividends up to 7% per annum, after which common stock is to receive 7%, then both issues share equally in any further distribution of earnings. Dividends paid semi-annually April & October 25 by check. Listed on New York Stock Exchange. Transfer office, 30 Broad St., New York.

CHICAGO TERMINAL TRANSFER RR PREFERRED STOCK. Total outstanding capital of this system, $17,000,000 preferred and $13,000,000 common. Par of both classes, $100. Preferred stock has preference as to assets and 4% non-cumulative dividends. Any further distribution above this 4% goes to the common stock. Dividends on preferred are payable semi-annually, but none have been declared as yet. Listed on New York Stock Exchange. Transfer office, 30 Broad St., New York.

COLORADO & SOUTHERN RY PREFERRED STOCKS. Total outstanding capital consists of $8,500,000 first 4% non-cumulative preferred, $8,500,000 second 4% non-cumulative preferred and $31,000,000 common stock. Par of all classes, $100. The first preferred has preference as to assets and 4% dividends over the other classes; the second preferred has preference to assets and 4% dividends over the common stock. Any further division of profit goes to

the common stock. Dividends on the first preferred have been paid at varying rates, but none on the second preferred. Listed on New York Stock Exchange. Transfer agent, Hallgarten & Co., 5 Nassau St., New York.

DENVER & RIO GRANDE RR PREFERRED STOCK. Total outstanding capital consists of $50,000,000 5% non-cumulative preferred and $38,000,000 common. Par of both classes, $100. Preferred has preference as to assets and 5% non-cumulative dividends, but is entitled to no further share of the profits. Dividends are paid on preferred semi-annually January & July 15 by check. Listed on New York Stock Exchange. Transfer office, 195 Broadway, New York.

ERIE RR PREFERRED STOCKS. Total capital consists of $48,000,000 4% non-cumulative first preferred, $16,000,000 4% non-cumulative second preferred, and $153,000,000 common stock. Par of all classes, $100. The first preferred has preference as to assets and 4% non-cumulative dividends. The second preferred has preference over the common as to assets and 4% non-cumulative dividends. All additional divisions of earnings above these preferred dividends are to go to the common stock. No additional mortgage can be placed upon the property, nor the amounts of the preferred stocks increased without the consent of a majority of the entire preferred stock and of such of the common stock as may be represented at a stockholders' meeting called for the purpose. The company reserves the right to retire either or both of its preferred stocks at par. Dividends on the first preferred are

paid semi-annually February 28 and August 31, and on second preferred semi-annual April & October 10. In 1907, a dividend on the second preferred stock was omitted in cash and paid in warrants. Listed on New York Stock Exchange. Transfer agents, J. P. Morgan & Co., New York.

GREAT NORTHERN RY PREFERRED STOCK. Total authorized capital consists of $210,000,000 of preferred stock. No common stock has ever been issued and therefore the outstanding capital consists entirely of preferred. Dividends are paid at the rate of 7% per annum. Par value, $100. Listed on New York Stock Exchange. Transfer office, 31 Nassau St., New York.

HOCKING VALLEY RY PREFERRED STOCK. Total authorized capital, $15,000,000 4% non-cumulative preferred and $11,000,000 common. Par of both issues, $100. Preferred stock has preference as to assets and 4% dividends and is redeemable at any time at par at the option of the company. After both the common and preferred stocks have received 4% dividends in any one year they share alike in any further distribution for such year. Dividends on preferred are paid semi-annually January & July 1. Listed on New York Stock Exchange. Transfer agents, J. P. Morgan & Co., New York.

MINNEAPOLIS & ST. LOUIIS RR PREFERRED STOCK. Total authorized capital, $4,000,000 non-cumulative preferred and $6,000,000 common. Par of both classes, $100. Preferred stock has preference as to assets and 5% dividends, but both stock participates equally in any further dis-

tribution. Payments on preferred are to be made semi-annually January & July 15 by check. Listed on New York Stock Exchange. Transfer office, Central Trust Co., New York.

MISSOURI, KANSAS & TEXAS RY PREFERRED STOCK. Total outstanding capital, $13,000,000 4% non-cumulative preferred and $63,300,300 common. Par of both classes, $100. The preferred stock has preference as to assets and 4% non-cumulative dividends, the common receiving all further distributions of earnings. Preferred dividends paid semi-annually May & November by check. Listed on New York Stock Exchange. Transfer office, 49 Wall St., New York.

NORFOLK & WESTERN RY PREFERRED STOCK. Total authorized capital, $23,000,000 4% non-cumulative adjustment preferred stock and $100,000,000 common stock. Par of both classes, $100. The preferred stock has preference as to assets and 4% non-cumulative dividends, the common receiving the entire balance of dividends if any are declared. Preferred dividends are paid semi-annually February & August 16. Listed on New York Stock Exchange. Transfer agent, Guaranty Trust Co., New York.

PITTSBURGH, CINCINNATI, CHICAGO & ST. LOUIS PREFERRED STOCK. Total outstanding capital, $27,457,274 4% preferred and $24,780,851 common. Par of both classes, $100. Preferred stock is non-cumulative and is entitled to 4% dividends per annum with the right to an additional 1% after 3% has been paid on the common, thus

making 5% in all for the preferred. After 5% has been paid on both the common and preferred, both stocks share alike in any further distribution. Preferred dividends are paid semi-annually January and July 15 by check. Listed on New York Stock Exchange. Transfer agent, Farmers' Loan & Trust Co., New York.

READING COMPANY PREFERRED STOCKS. Total authorized capital, $28,000,000 first 4% non-cumulative preferred, $42,000,000 second 4% non-cumulative preferred and $70,000,00 common stock. Par of all classes, $50. The company may, after dividends of 4% have been paid on the first preferred for two consecutive years, convert the second preferred into one-half first preferred and one-half common stock. No additional mortgage can be placed upon the property, nor can the first preferred stock be increased, without the consent of a majority of the holders of both preferred stocks and of a majority of holders of common stock. The company had the right to retire either or both classes of preferred stock at par in cash at any time. Par of all classes, $50. The first preferred is entitled to 4% non-cumulative dividends, the second preferred also to 4%, after the first preferred has received 4%, and the common receives all additional dividends. Payments are made semi-annually on first preferred, March & September 10; on second preferred, May & November 10, and on common, February & August 1, all by check. Listed on New York Stock Exchange. Transfer agents, J. P. Morgan & Co., New York.

ROCK ISLAND COMPANY PREFERRED STOCK. Total capital outstanding $54,000,000 non-

cumulative preferred and $96,000,000 common stock. Par of both classes, $100. The preferred stock has preference as to assets and also to non-cumulative dividends up to 4% yearly to and including 1909, up to 5% yearly to and including 1916, and 6% thereafter. Preferred stock can only be increased with the consent of two-thirds of the outstanding issue of both classes of stock. The preferred stockholders are entitled to elect a majority of the board of directors. No dividends are now being paid on the preferred. Listed on the New York Stock Exchange. Transfer office, 71 Broadway, New York.

SEABOARD COMPANY PREFERRED STOCKS. Total outstanding capital $6,360,000 first preferred, $15,993,000 second preferred and $28,544,000 common stock. Par of all classes, $100. The first preferred has preference as to assets and also dividends of 5% per annum non-cumulative up to July 1, 1910, and cumulative thereafter. Convertable at option of holder into second preferred stock at par, and redeemable, at option of company, if and when the law allows, after three years from the issue thereof. The second preferred is entitled to 6% non-cumulative dividends, and is redeemable at the option of the company after three years from the issue thereof at 110, provided the first preferred shall have been redeemed or converted. Provision is made for increase of the second preferred stock for purpose of conversion of first preferred. All classes of stock have equal voting power.

SOUTHERN PACIFIC COMPANY PREFERRED STOCK. Total outstanding capital $39,569,840 preferred and $197,849,358 common. Par of

both classes, $100. Preferred stock is entitled to 7% non-cumulative dividends, is redeemable at the option of the holder at any time between July 1, 1905, and July 1, 1910, at 115, and is convertible into common stock at the option of the holder at par at any time. Preferred dividends are paid quarterly January 1 by check. Listed on New York Stock Exchange. Transfer office, 120 Broadway, New York.

SOUTHERN RY PREFERRED STOCK. Total outstanding capital $60,000,000 5% non-cumulative preferred and $120,000,000 common stock. Par of both classes, $100. Preferred stock has prior right to assets and 5% non-cumulative dividends and no additional mortgage can be put upon the property without the consent of the holders of a majority of the preferred stock. A majority of both classes of stock was deposited under the reorganization plan in a voting trust until the preferred stock should have paid 5% in cash dividends in one year. This was accomplished in 1902, but a majority of holders of both stocks agreed to an extension of the trust until October 15, 1907, and thereafter unless terminated by majority vote. Dividends are paid April & October 15 by check. Listed on New York Stock Exchange. Transfer agents, J. P. Morgan & Co., New York.

UNION PACIFIC RR PREFERRED STOCK. Total capital authorized $200,000,000 4% non-cumulative preferred, and $196,178,000 common. Par of both classes, $100. The preferred stock has preference to 4% non-cumulative dividends, but is not entitled to any further distribution of the net profits of the company. Dividends are paid quarterly Janu-

ary 1 by check. Listed on New York Stock Exchange. Transfer office, 120 Broadway, New York.

WABASH RR PREFERRED STOCK. Total capital outstanding $40,500,000 7% non-cumulative preferred and $169,500,000 common. Par of both classes, $100. The preferred is entitled to 7% non-cumulative dividend when earned. No dividends have been paid. Listed on New York Stock Exchange. Transfer office, 195 Broadway, New York.

WISCONSIN CENTRAL RR PREFERRED STOCK. Total authorized capital $12,500,000 4% non-cumulative preferred and $17,500,000 common. Par, $100. The preferred stock is entitled to 4% non-cumulative dividend and after 4% dividends have been paid on both classes of stock in any one year they participate equally in any further distribution. The preferred stock has the right to elect a majority of directors whenever for two successive years dividends shall not have been paid at 4% in cash upon the said stock. Listed on New York Stock Exchange. Transfer agent, Trust Co. of America, New York.

Characteristics of Leading Guaranteed Investment Stocks

ALBANY & SUSQUEHANNA RR 9% GUARANTEED STOCK. Line of road, Albany to Binghamton, N. Y., 142.59 miles. Capital stock, $3,500,000; par, $100. Leased to Del. & Hud. Co. from February 24, 1870, in perpetuity, rental being interest on bonds, and dividends on stock at rate of 7% per annum until July, 1902, and 9% per annum thereafter. Dividends January & July 1, at 32 Nassau St., New York. Transfer office, New York. Listed on New York Stock Exchange.

ALLEGHENY & WESTERN RY 6% GUARANTEED STOCK. Line of road, Lindsey to Butler, Pa., with branch, 66.16 miles. Capital stock, $3,200,000; par, $100. Leased to Buff., Roch. & Pittsburg Ry Co. from January 1 ,1900, for term of corporate existence; rental now $272,000 per annum, equal to interest on bonds, and 6% on capital stock. Dividends January & July 1, at A. Iselin & Co., 36 Wall St., New York. Transfer agents, A. Iselin & Co., New York. Listed on New York Stock Exchange.

AMERICAN SMELTERS SECURITIES CO. 5% GUARANTEED SERIES "B" PREFERRED STOCK. Amount outstanding, $30,000,000; par, $100. Guaranteed, principal and dividends, by American

Smelting & Refining Co. Redeemable at par and accrued dividends, by American Smelting Securities Co., or may be purchased at par and accured dividends by Amer. Smelting & Refining Co. on June 1, 1930, or on any quarterly dividend date thereafter, upon two months' notice. The American Smelting & Refining Co. has agreed that, so long as any of this stock remains outstanding, it will issue no bonds, nor make any further guarantee to any capital stock or obligation which, including the guarantee of this preferred stock, shall create a liability, actual or contingent, for interest or dividends, that shall in any year exceed in the aggregate 25% of its net earnings for the 12 months next preceding the creation of such bonds or guarantee. Dividends, quarterly, March 1, at 71 Broadway, New York.

AMERICAN TELEGRAPH & CABLE CO. 5% GUARANTEED STOCK. Outstanding, $14,000,000; par, $100. Leased to Western Union Telegraph Co. for 50 years, from May 12, 1882, at rental of 5% on stock, lessee to maintain, operate and renew the cables and equipment. Dividends payable quarterly, March 1, at 195 Broadway, New York. Transfer office, 195 Broadway, New York. Listed on New York Stock Exchange.

ATLANTA & CHARLOTTE AIR LINE RY GUARANTEED STOCK. Line of road, Charlotte, N. C., to Atlanta, Ga., 268.17 miles. Capital stock, $1,700,000; par, $100. Operated by Southern Ry Co. under 99-year contract, dated April 1, 1881, which calls for payment of interest on bonds, organization expenses and minimum of 5% on stock; dividends to be increased to 6% should earnings exceed $1,-

500,000, and to 7% should they exceed $2,500,000 in any one year. Dividends have been paid as follows: 1881 to 1889, inclusive, 5% per annum; 1890, 5½%; 1891 to March, 1901, inclusive, 6% per annum; 7% per annumt since. Dividends March & September 5 at U. S. Mortgage & Trust Co., New York. Transfer office, Central Trust Co., New York.

BALD EAGLE VALLEY RR 10% GUARANTEED STOCK. Line of road, Lock Haven to Vail Station, Pa., and branches, 93.95 miles. Capital stock authorized, $2,600,000; outstanding, $1,673,150; par, $50. Leased to Penna. RR for 99 years from December 7, 1864, at net earnings for the section operated as part of Phila. & Erie Div. and 40% of gross earnings, 60% of taxes on gross receipts and tax on bonds for section operated in Penn. Division. Semi-annual dividends of 5% are paid February & August 1, at Broad St. Station, Phila.; on May 1, 1906, a 9% stock dividend was paid. Transfer office, Broad Street Station, Philadelphia, Pa.

BEECH CREEK RR 4% GUARANTEED STOCK. Line of road, Jersey Shore to Mahaffey Junc., Pa., and branches, 167.28 miles. Capital stock, $6,000,000; par, $50. Leased to N. Y. C. & Hudson River RR for 999 years, from October 1, 1890, at rental of interest on bonds and 4% on stock. Dividends quarterly, January 1, at Grand Central Station, New York. Listed on New York Stock Exchange. Transfer office, Grand Central Station, New York.

BOSTON & ALBANY RR 8% GUARANTEED STOCK. Line of road, Boston, Mass., to Albany, N. Y., and branches, 304.09 miles. Capital stock

authorized, $30,000,000; outstanding, $25,000,000; par, $100. Leased to N. Y. Central & Hudson River RR for 99 years, from July 1, 1900, at rental of guaranteed dividends of 8% on stock, organization expenses, interest on bonds, taxes, expenses of maintenance, etc. The Boston & Albany RR received $5,500,000 N. Y. Central 3½% 100-year debentures to cover certain property not included in the lease, which yield about 0.77% additional per annum on the stock. Dividends, quarterly, March 31, at Term. Station, Boston. For many years prior to the lease, 8% per annum was paid; from 1901 to date 8¾%, viz., 2% in March, 2½% in June; 2% in September and 2¼% in December; payments at treasurer's office, Boston. Listed on Boston Stock Exchange. Transfer office, Boston, Mass.

BOSTON & LOWELL RR 8% GUARANTEED STOCK. Lines of road, Boston to Lowell, Mass., with branches, 96.95 miles. Capital stock, $6,599,400; par, $100. Leased to Boston & Maine RR for 99 years, from April 1, 1887. Rental, 7% on stock for first ten years; thereafter 8%, together with interest on bonds and $7,000 for organization expenses. Dividends, January and July 2, at treasurer's office, Boston. Listed on Boston Stock Exchange. Transfer office, Treas. of Company, Boston, Mass.

BOSTON & NEW YORK AIR LINE RR 4% GUARANTEED PREFERRED STOCK. Line of road, New Haven to Willimantic, Conn., 52.26 miles. Preferred stock $2,998,500, of which $1,738,000 has been exchanged for N. Y., N. H. & H. RR Co. stock. Leased to N. Y., N. H. & Hartford RR for 99 years, from October 1, 1882, at rental of interest on bonds,

taxes and 4% on preferred stock. Dividends, August & October, in New Haven, Conn. Listed on New York Stock Exchange. Transfer office, New Haven, Conn.

BOSTON & PROVIDENCE RR 10% GUARANTEED STOCK. Line of road, Boston, Mass., to Providence, R. I., and branches, 63.03 miles. Capital stock, $4,000,000; par, $100. Leased to Old Colony RR for 99 years, from April 1, 1888, at rental of interest on bonds, dividends of 10% per annum on stock and $3,000 per annum for organization expenses. The Old Colony RR was leased to the N. Y., N. Haven & Hartford RR for 99 years, from March 1, 1893, the lessee assuming all liabilities. Dividends, quarterly, January, at Boston Terminal Station. Listed on Boston Stock Exchange. Transfer office, Terminal Station, Boston, Mass.

BROADWAY & SEVENTH AVENUE RR 10% GUARANTEED STOCK. Capital stock, $2,100,000; par, $100. Leased May 13, 1890, for unexpired term of charter and for any extensions thereof, to Houston, West St. & Pavonia Ferry RR, now Met. St. Ry, at annual rental of interest on bonds and 10% on stcck. Under the lease of the Met. St. Ry to Interurban St. Ry, road is now operated by New York City Ry. Dividends, quarterly, January, at 621 Broadway, New York. Transfer office, 621 Broadway, New York.

BROOKLYN CITY RR 10% GUARANTEED STOCK. Capital stock, $12,000,000; par, $10. Leased on February 14, 1893, for 999 years to Brooklyn Heights RR Co., at annual rental of all fixed charges,

organization expenses, taxes and dividends of 10% per annum on the stock. Dividends quarterly, January 15, at Long Island Loan & Trust Co., Brooklyn. New York, by mail. Transfer office, 44 Court St., Brooklyn.

CATAWISSA RR 5% GUARANTEED PREFERRED STOCK. Line of road, Tamanend to Newberry Junction, Pa., and branches, 102.95 miles. Preferred stocks, $2,200,000 first preferred and $1,000,000 second preferred; par, $50. Leased December 1, 1896, to the Phila. & Reading Ry for 999 years at guaranty of principal and interest on the bonds, besides taxes, $8,000 a year for organization, and 5% per annum on both classes of preferred stock. Dividends payable May & November, at company's office, Philadelphia. Listed on Philadelphia Stock Exchange. Transfer office, 237 South Third St., Philadelphia, Pa.

CHICAGO & EASTERN ILLINOIS RR STOCK TRUST CERTIFICATES. $10,416,000 common stock trust certificates, due July 1, 1942, in denomination of $1,000 each. Each certificate of $1,000 is secured by 4 shares of Chicago & Eastern Illinois common stock. Interest at 4% per annum is guaranteed by the St. Louis & San Francisco RR Co., payable January & July, by mail. Redeemable at par and accrued interest at any time.

$3,051,400 common stock trust certificates, due July 1, 1942. Par, $100. Issued against an equal amount of Chicago & Eastern Illinois common stock. Dividends of 10% per annum are guaranteed by the St. Louis & San Francisco RR Co., payable Janu-

ary & July, by mail. Redeemable at 250 and accrued dividends at any time.

In 1905, the holders of common stock trust certificates were given the privilege of exchanging their certificates, representing shares of Chicago & Eastern Illinois common stock, for new certificates in the denomination of $1,000 each, bearing 4% interest. Up to April 30, 1907, all but $3,051,400 had been so exchanged.

$6,211,700 preferred stock trust certificates; due July 1, 1942; par, $100. Issued against an equal amount of Chicago & Eastern Illinois preferred stock. Dividends of 6% per annum are guaranteed by the St. Louis & San Francisco RR Co., payable quarterly, January, by mail. Redeemable at 150 and accrued dividends at any time. Listed on New York Stock Exchange.

CLEARFIELD & MAHONING RY 6% GUARANTEED STOCK. Line of road, DuBois Junction to Clearfield, Pa., 25.87 miles. Capital stock, $750,000; par, $50. Leased to Buff., Roch. & Pitts. Ry from January 3, 1893, for term of its corporate existence at rental of interest on bonds, and 6% on stock. Dividends, January & July 1, checks mailed. Transfer agent, John G. Whitmore, Ridgway, Pa.

CLEVELAND & MAHONING VALLEY RY GUARANTEED STOCK. Line of road, Cleveland, O., to Pa. State line, and Niles to New Lisbon, O., with branches, 123.94 miles. Capital stock, $3,259,200, of which $2,258,250 is held by Atlan. First Leased Lines Rental Trust Co., Ltd., of London; par, $100. Leased to Erie RR until October 1, 1982, at rental of $525,967 per annum, payable monthly. This rental

pays interest on bonds and dividends on stock. In 1897, 13¾% was paid; 1898 to 1904, inclusive, 13½% per annum; 1905, 11.42%; in 1906, 11.4%; payable quarterly (March) at Treasurer's office, Cleveland, Ohio.

CLEVELAND & PITTSBURG RR GUARANTEED STOCKS. Line of road, Cleveland, O., to Rochester, Pa., with branches and 22.90 miles of trackage, 224.64 miles. Capital stock, $11,247,593 7% guaranteed stock and $7,477,800 4% guaranteed special betterment stock; par, $50. The special betterment stock is issuable for improvements and is subordinate to the original stock as to dividends only. Leased for 999 years from December 1, 1871, to Penna. RR; lease transferred to Penna. Co., April 14, 1873; rental 7% on stock, interest on bonds, sinking fund, and $10,000 for organization expenses. Dividends quarterly (March 1), at Winslow, Lanier & Co., New York. Listed on New York Stock Exchange. Transfer agent, Winslow, Lanier & Co., New York.

COLUMBUS & XENIA RR 8% GUARANTEED STOCK. Line of road: Columbus to Xenia, O., 54.70 miles. Capital stock, $1,786,200; par, $50. Leased Nov. 30, 1868, for 99 years, with privilege of renewal, to Little Miami RR & sub-leased in December, 1869, together with Little Miami to Pitts., Cin. & St. L. Ry (now Pitts., Cin., Chic. & St. L.). Rental, 8% per annum on stock and interest on bonds. The bonds matured September 1, 1890. Lease is guaranteed by Penna. RR. Dividends, quarterly, March 10, at Treasurer's office, Columbus, O. Transfer office, Columbus, O.

CONCORD & MONTREAL RR 7% GUARANTEED STOCK. Line of road owned, Nashua to Groveton, N. H., with branches, 368 miles. Capital stock, $7,447,600; par, $100; divided into four classes as follows: $800,000 class 1; $540,400 class 2; $459,600 class 3; $5,647,600 class 4. Leased together with its proprietary, controlled and leased lines, to Boston & Maine RR for 91 years, from April 1, 1895; lease to go to Boston & Lowell RR, in case same terminates before 91 years have elapsed. Lessee assumed all the liabilities, and by agreement pays 7% on stocks as rental. Dividends, quarterly, January 1, by check. Listed on Boston Stock Exchange. Transfer office, Concord, N. H.

CONNECTICUT & PASSUMPSIC RIVERS RR 6% GUARANTEED STOCK. Line of road, White River Junction, Vt., to Canadian line, 110.30 miles. Capital stock, $2,500,000; par, $100. Leased for 99 years, from January 1, 1887, to Boston & Lowell RR (B. & M. System) at rental of interest on bonds and dividends at 5% per annum until January, 1897, and 6% thereafter; also $3,000 for expenses of organization. Dividends, February & August, at Boston Safe Deposit & Trust Co. Transfer office, Boston, Mass. Listed on Boston Stock Exchange.

CONNECTICUT RIVER RR 10% GUARANTEED STOCK. Line of road, Springfield, Mass., to Keene, N. H., and branches, 79.85 miles. Capital stock, authorized, $3,670,300; outstanding, $3,113,000; par, $100. Leased to Boston & Maine RR for 99 years, from January 1, 1893, at rental of 10% per annum on stock, interest on bonds and $2,000 for organization expenses. Dividends January & July 1,

at B. & M. office, Boston, Mass. Transfer office, Springfield, Mass. Listed on Boston Stock Exchange.

DAYTON & MICHIGAN RR GUARANTEED 8% PREFERRED AND 3½% COMMON STOCK. Line of road: Dayton to Toledo Junction, O., 141.82 miles. Capital stock, $1,211,250 preferred, and $2,401,900 common; par, $50. Leased in perpetuity from May 1, 1863, to Cinc., Ham. & Day. Ry at rental of interest on bonds, 8% on preferred stock and 3½% per annum on common. Dividends on preferred, quarterly, January (first Tuesday); on common, August & October, in Cincinnati, O. Transfer office, Cincinnati, O.

DELAWARE & BOUND BROOK RR 8% GUARANTEED STOCK. Line of road, Bound Brook Junction, N. J., to Penn. State line, and branches, 30.81 miles. Capital stock, $1,800,000; par, $100. Leased for 990 years, from May 12, 1879, to Phila. & Reading RR, and assumed by Phila. & Read. Ry in the reorganization. Rental, maintenance expenses, interest on bonds and 8% per annum on stock. Dividends, quarterly, February 20, at 240 South Third St., Philadelphia. Listed on Philadelphia Stock Exchange. Transfer office, 240 South Third St., Philadelphia, Pa.

DETROIT, HILLSDALE & SOUTHWESTERN RR 4% GUARANTEED STOCK. Line of road, Ypsilanti to Bankers, Mich., 64.76 miles. Capital stock, $1,350,000; par, $100. Leased in perpetuity, from July 1, 1881, to Lake Shore & Mich. Southern Ry at annual rental of $54,000, being 4% on stock.

Dividends, January & July 5, at Farmers' Loan & Trust Co., N. Y. Listed on New York and Boston Stock Exchanges. Transfer offices, Farmers' Loan & Trust Co., New York; also Boston.

ELMIRA & WILLIAMSPORT RR GUARANTEED COMMON AND PREFERRED STOCKS. Line of road, Williamsport, Pa., to Elmira, N. Y., 75.50 miles. Capital stock, $500,000 common and $500,000 preferred; par, $50. Leased for 999 years, from May 1, 1863, to Northern Cent. Ry at rental of interest on bonds, dividends of 7% (less taxes) on preferred stock and 5% (less taxes) on common, and organization expenses. The Northern Cent. Ry is controlled by Penna. RR Co. through majority stock ownership, and the obligation of the Northern Cent., under the lease, is guaranteed by Penna. RR Co. Net dividends paid: 6.3% on preferred and 4.48% on common; payments on the former are January & July 1, and on the latter May & November 1, at Broad St. Station, Philadelphia. Listed on Philadelphia Stock Exchange. Transfer office, Philadelphia, Pa.

ERIE & PITTSBURG RR 7% GUARANTEED STOCKS. Line of road, New Castle to Girard, Pa., with branches, and 16.74 miles of trackage, 101.21 miles. Capital stock, outstanding, $2,000,000 original 7% guaranteed stock and $941,750 (auth. $2,500,000) special 7% guaranteed betterment stock; par, $50. Leased for 999 years, from March 1, 1870, to Penna. RR, and lease subsequently assigned to Penna. Co. Rental, interest on bonds, 7% per annum on capital stock, and $2,500 for organization purposes. An allowance, amounting to about 51 cents per share, for Penna. State tax, must be made in the net returns.

Dividends, on both classes, paid quarterly, March, at Union Trust Co., New York. Transfer offices, New York and Pittsburg.

EUROPEAN & NORTH AMERICAN RY 5% GUARANTEED STOCK. Line of road, Bangor to Vanceboro, Me., with branches, 120.34 miles. Capital stock, $2,494,100; par, $100. Leased from April 1, 1882, to Maine Cent. RR, for its corporate existence, at an annual rental of $125,000, lessee assuming all liabilities. Dividends August & October 3, at Treasurer's office, Bangor, Me.

FALL BROOK RY 7% PREFERRED AND 2½% COMMON GUARANTEED STOCK. Line of road, Corning, N. Y., to Antrim, Pa., and branches, 91.51 miles. Capital stock, $500,000 preferred and $4,500,000 common; par, $50. Leased to N. Y. Cent. & Hudson River RR for 999 years, from May 1, 1899, at rental of $175,000 per annum; also taxes and repairs. Prior to the lease, dividends had been paid since 1891 at rate of 7% per annum on preferred and 6% on common; dividends on common were reduced to 2½% when lease went into effect. Payments, quarterly, (February 5) at company's office, Corning, N. Y.

FITCHBURG RR 5% GUARANTEED PREFERRED STOCK. Line of road owned, Greenfield, Mass., to Rotterdam, N. Y., with branches, 394.14 miles. Preferred stock outstanding, $17,360,000; par, $100. Leased to Bos. & Me. RR, on July 1, 1900, for 99 years, at rental of 5% on preferred, 1% on common stock, and $7,000 for organization expenses, lessee assuming all obligations of the com-

pany. Of the common stock, $5,454,550 was purchased by the Bos. & Me. RR, and the balance of the issue, which was in the treasury of the company, was turned over to the lessee under the lease. Dividends on preferred, quarterly, January 1, at Boston & Maine office, Boston. Listed on Boston Stock Exchange. Transfer office, Boston, Mass.

FORT WAYNE & JACKSON RR 5½% GUARANTEED PREFERRED STOCK. Line of road, Jackson, Mich., to Ft. Wayne, Ind., 97.83 miles. Preferred stock outstanding, $2,291,416; par, $100. Leased in perpetuity on August 24, 1882, to Lake Shore & Mich. Southern Ry, at rental of $126,027, equal to 5½% on the preferred stock, and after 1887, any net earnings over 8% on preferred stock to be paid on common, but not exceeding 2% a year. Dividends, March & September 1, at Farmers' Loan & Trust Co., New York. Transfer office, Farmers' Loan & Trust Co., New York.

GEORGIA RR & BANKING CO. 11% GUARANTEED STOCK. Line of road, Augusta to Atlanta, Ga., and branches, 303 miles. Capital stock, $4,200,000; par, $100. The railroad was leased May 7, 1881, for 99 years, to W. M. Wadley, at a rental of $600,000 per annum, but in April, 1899, the Louisville acquired all rights under the lease and in July, 1899, the Atlantic Coast Line acquired a half interest. As security for the performance of the terms of the lease this company holds $500,000 5% bonds of the So. & No. Ala. RR and a like amount of first 4s of the Atlantic Coast Line RR of S. C. Dividends, 11% per annum, quarterly, January 15, at Georgia Railroad Bank, Augusta, Ga. This rate has

been paid since 1889; prior to that date, rate ranged from 9% to 10¾%. Transfer office, Augusta, Ga.

GOLD & STOCK TELEGRAPH CO. 6% GUARANTEED STOCK. Capital stock, $5,000,000; par, $100. Leased until January, 1981, to Western Union Telegraph Co. Dividends payable January 1, at 195 Broadway, N. Y. Listed on New York Stock Exchange. Transfer office, 195 Broadway, New York.

ILLINOIS & MISSISSIPPI TELEGRAPH CO. 4% GUARANTEED STOCK. Capital stock, $1,930,500; par, $100. Leased in perpetuity to Western Union Telegraph Co. Dividends, January & July, at 195 Broadway, New York. Transfer office, Ottawa, Ill.

ILLINOIS CENTRAL LEASED LINE 4% GUARANTEED STOCK. Capital stock, $10,000,000; par, $100. Secured by deposit of $10,000,000 Chic., St. L. & New Orleans stock, which road is leased to the Ill. Cent. RR for 400 years, from July 1, 1882, at annual rental of interest on bonds and 4% on stock. In case of default for 60 days in any semi-annual payment of 2%, the holders of the certificates will be entitled to the stock pledged. Dividends, January & July, at 11 Broadway, New York, and London. Listed on New York Stock Exchange. Transfer office, 11 Broadway, New York.

INTERNATIONAL OCEAN TELEGRAPH CO. 6% GUARANTEED STOCK. Capital stock, $3,000,000; par, $100. Leased until January, 1981, to the Western Union Telegraph Co. Dividends quar-

terly, January, 195 Broadway, New York. Transfer office, 195 Broadway, New York.

JACKSON, LANSING & SAGINAW RR 3½% GUARANTEED STOCK. Line of road, Jackson to Mackinac City, Mich., with branches, 379.23 miles. Capital stock, $2,000,000; par, $100. Leased to Mich. Cent. RR on September 1, 1871, in perpetuity. Rental received 1906, $70,000 and $750 additional for expenses. Dividends, March & September 1, at Cent. Station, New York. Transfer office, Grand Central Station, New York.

JOLIET & CHICAGO RR 7% GUARANTEED STOCK. Line of road, Chicago to Joliet, Ill., 37.20 miles (forming part of the through line of Chic. & Alton RR, Chicago to St. L.). Capital stock, $1,500,000; par, $100. Leased January 1, 1864, in perpetuity, to Chic. & Alton RR, at rental of 7 on stock and $1,800 for organization expenses. Dividends, quarterly, January (first Monday) at 71 Broadway, New York. Listed on New York Stock Exchange. Transfer office, 17 Broadway, New York.

KANSAS CITY, ST. LOUIS & CHICAGO RR 6% GUARANTEED PREFERRED STOCK. Line of road, Mexico to Kansas City, Mo., 162 miles. Preferred stock outstanding, $1,750,000. Leased, in perpetuity, from November, 1879, to Chic. & Alton RR at rental of 35% of gross earnings, less assessments and taxes. When this percentage is in excess of interest on bonds, 6% on preferred and 7% on common stock, after deducting taxes, etc., such excess goes to Chic. & Alton RR. Dividends on preferred stock are unconditionally guaranteed by C.

& A. RR and are paid quarterly (February 1), at 71 Broadway, New York. Transfer office, 71 Broadway, New York.

LITTLE MIAMI RR 8% GUARANTEED STOCK. Line of road, Cincinnati to Springfield, O., with branches, 138 miles. Capital stock, $4,943,-100; par, $50. Leased for 99 years, from December 1, 1869, to Pitts., Cinc. & St. L. Ry (now P., C., C. & St. L. Ry), with permanent renewal, at rental of interest on bonds; rentals of leased lines; 8% per annum on stock, and $5,000 for maintenance of organization. The Penna. RR is a party to the lease, and guarantees its faithful execution. Dividends, quarterly, March 10, at 41 East 4th St., Cincinnati. From December, 1899, one-fith p. c. extra has been paid semi-annually (July & December) from surplus invested fund making 8 2-5% per annum. Transfer office, Cincinnati, O.

LITTLE SCHUYLKILL NAVIGATION RR & COAL CO. 5% GUARANTEED STOCK. Line of road, Port Clinton to Tamanend, Pa., and branches, 31.48 miles. Capital stock, $2,487,850; par, $50. Leased to Phila. & Read. Ry for 999 years, from December 1, 1896, at rental of 5% per annum on stock, and $5,000 organization expenses. Since 1897, dividends have been paid as follows: 1897, 6%; 1898 and 1899, 5½% each; 1900, 5%; 1901 and 1902, 5½% each; 1903 and 1904, 5% each; 1905, 5½%; 1906, 5%; January, 1907, 3%; payable January & July, at 410 Walnut St., Philadelphia. Listed on Philadelphia Stock Exchange. Transfer office, 410 Walnut St., Philadelphia, Pa.

LOUISIANA & MISSOURI RIVER RR 7% PREFERRED STOCK. Line of road, Louisiana to Cedar City, Mo., 101 miles. Guaranteed preferred stock, $1,010,000; par, $100. Leased in perpetuity, August 1, 1870, to Chic. & Alton RR, at rental of 35% of gross earnings, but the lease was modified, November 13, 1894, whereby the lessee agreed to pay the interest on the bonds and the principal when due; 7% dividends on $329,000 preferred stock (the balance being owned by C. & A. RR) and to discharge the floating debt. Dividends, February & August 1, at 71 Broadway, N. Y. Transfer office, 71 Broadway, New York.

MASSAWIPPI VALLEY RY 6% GUARANTEED STOCK. Line of road: Province Line to Lennoxville, Que., and branch, 35.46 miles. Capital stock, $800,000; par, $100. Leased for 999 years, from July 1, 1870, to Conn. & Passumpsic Rivers RR, which is itself leased for 99 years to the Boston & Lowell RR. The lessee pays interest on bonds and dividends identical with those paid to its own stockholders. Of the stock, $400,000 is owned by the Conn. & Pass. Rivers RR, and is deposited under its mortgage and $50,000 is represented by Conn. Tr. & Safe Dep. Co., of Hartford 5% trust certificates. Dividends were formerly 5%, but since January 1, 1897, 6% has been paid. Dividends, February & August 1, at Bost. Safe Dep. & Tr. Co. Listed on Boston Stock Exchange. Transfer office, 95 Milk St., Boston.

MORRIS & ESSEX RR 7% GUARANTEED STOCK. Line of road, Hoboken to Phillipsburg, N. J., with branch, 118.9 miles. Capital stock, $15,-

000,000; par, $50. Leased in 1868 to Del., Lack. & West. RR, in perpetuity, the lessee assuming all liabilities and agreeing to pay interest on bonds and 7% on stock. The valuable terminal facilities in N. Y. Harbor of the D., L. & W. system are owned by this company. Dividends, January & July, at 26 Exchange Place, N. Y. Listed on N. Y. Stock Exchange. Transfer office, 26 Exchange Place, N. Y.

MORRIS CANAL & BANKING CO GUARANTEED 10% PREFERRED AND 4% CONSOLIDATED STOCKS. Length of canal, Jersey City to Phillipsburg, N. J., with feeders, 106.48 miles. Capital stock, $1,025,000 consolidated and $1,175,000 preferred; par, $100. Leased from April 1, 1871, to Lehigh Valley RR, for 999 years, lessee assuming the bonds and paying 10% on preferred and 4% on Consolidated stock. Dividends on both classes, February & August (first Tuesday), at 228 South Third St., Philadelphia, Pa. Transfer office, Philadelphia, Pa.

NASHVILLE & DECATUR RR 7½% GUARANTEED STOCK. Line of road, Nashville, Tenn., to Decatur, Ala., 119.24 miles. Capital stock, $3,553,750; par, $25. Leased to Louisville & Nashville RR for 30 years from July 1, 1872, at rental of 6% on stock and re-leased for 999 years from July 1, 1900, at rental of 7½% per annum on stock. The $2,100,000 bonds, which were due July 1, 1900, were retired, and stock issued therefor. Stock of record before original lease was terminated is indorsed "original stock," and guaranteed regardless of net earnings and superior to any lien. Dividends, July

& December, in Nashville, Tenn. Transfer office, Nashville, Tenn.

NEW YORK & HARLEM RR 14% GUARANTEED COMMON AND PREFERRED STOCKS. Line of road, New York to Chatham, N. Y., with branches, 136.51 miles. Capital stock, $10,000,000, of which $1,343,950 is preferred and $8,656,050 common stock; par, $50. In addition, this company owns the Fourth Ave. St. RR, with 9.71 miles of surface lines and branches. The steam portion of the road was leased to N. Y. C. & H. R. RR for 401 years from April 1, 1873, at rental of interest on bonds and 8% on both classes of stock. Under a supplementary agreement dated October 1, 1898, the rental is now interest on $12,000,000 3½% first mortgage bonds, and 10% on both classes of stock. The street railway section was leased in July, 1896, for 999 years to Metropolitan St. Ry, at $350,000 per annum (equal to 3½% on total stock) until July, 1901, and $400,000 per annum (equal to 4% on total stock) thereafter. This property is now operated by New York City Ry. Dividends, 14% per annum on both classes of stock, viz., 10% under lease of steam railroad property, January & July, and 4% under lease of street railway line, August & October, at Grand Central Station, N. Y. Listed on New York stock Exchange. Transfer office, Grand Central Station, New York.

NEW YORK, LACKAWANNA & WESTERN RY 5% GUARANTEED STOCK. Line of road, Binghamton to International Bridge, N. Y., with branches, 208.06 miles. Capital stock, $10,000,000; par, $100. Leased October 2, 1882, to Del., Lack. &

West. RR, in perpetuity, at rental of 5% on stock; lessee guaranteeing principal and interest of bonds. Dividends, quarterly, January, at 26 Exchange Place, N. Y. Listed on New York Stock Exchange. Transfer office, 26 Exchange Place, N. Y.

NORTH CAROLINA RR 7% GUARANTEED STOCK. Line of road, Goldsboro to Charlotte, N. C., and branch, 224.34 miles. Capital stock, $4,000,000; par, $100. State of N. C. owns $3,000,000 stock. Leased for 99 years, from January 1, 1896, to Southern Ry, at rental of $266,000 per annum (equaling 6½% on stock and taxes), until December 31, 1901, and $286,000 (equaling 7% on stock and taxes) thereafter. Dividends, February & August 10, at Burlington, N. C. Transfer agent, Sec. of company, Burlington, N. C.

NORTHERN (N. H.) RR 6% GUARANTEED STOCK. Line of road, Concord, N. H., to White River Junction, Vt., and branch, 82.91 miles. Capital stock, $3,068,400; par, $100. Leased to Bos. & Lowell RR for 99 years from January 1, 1890, lease being later assigned to Boston & Me. RR. Rental, interest on bonds of subsidiary cos., $5,000 per annum for organization expenses, and 6% per annum on stock. Dividends, quarterly, January 1, at 1023 Old South Building, Boston. Until July, 1897, 1% extra was regularly paid from contingent fund; in 1894, 5%; in 1896, 2%; in 1897, 5%, and in July, 1904, ½%. Listed on Boston Stock Exchange.

NORTHERN RR OF N. J. 4% GUARANTEED STOCK. Line of road, Bergen Junction, N. J., to Sparkill, N. Y., 21.54 miles. Capital stock, $1,000,-

000; par, $100. Leased from June 1, 1899, to Erie RR, for the period of its charter and any renewals thereof. Rental, interest on bonds, taxes and expenses, and 4% on stock. Dividends, quarterly, March, at 11 Broadway, N. Y. Transfer office, 11 Broadway, New York.

NORTH PENNA. RR 8% GUARANTEED STOCK. Line of road, Phila. to Bethlehem, Pa., and branches, 86.21 miles. Capital stock: Authorized, $6,000,000; outstanding, $5,382,150; par, $50. Leased to Phila. & Read. RR for 990 years, from May 1, 1879, and lease assumed by Phila. & Read. Ry in 1896. Rental, 8% per annum on capital stock, interest on bonds, and $12,000 organization expenses. Dividends, quarterly, February 25, at 240 South Third St., Phila. Listed on Phila. Stock Exchange. Transfer office, Philadelphia, Pa.

NORTHWESTERN TELEGRAPH CO 6% GUARANTEED STOCK. Capital stock, $2,500,000; par, $50. Leased until May 7, 1980, to West. Union Tel. Co. Dividends, January & July, in N. Y. Listed on New York Stock Exchange. Transfer office, 195 Broadway, N. Y.

NORWICH & WORCESTER RR 8% GUARANTEED PREFERRED STOCK. Line of road, Groton, Conn., to Worcester, Mass., with branch, 71.60 miles. Preferred stock, $3,000,000; par, $100. Leased from February 1, 1869, for 99 years, to New England RR; lease assumed by N. Y., N. Haven & Hartford RR July 1, 1898. Rental, 8% per annum on stock and interest on bonds. Dividends, quarterly, January 1, at Mechanics' Nat. Bank, Wor-

cester, Mass. Listed on Boston Stock Exchange. Transfer office, Second Nat. Bank, Boston, Mass.

OLD COLONY RR 7% GUARANTEED STOCK. Line of road, Boston, Mass., to Newport, R. I., with branches, 518.3 miles. Capital stock, authorized, $20,000,000; outstanding, $18,371,400; par, $100. Leased to N. Y., N. Haven & Hartford RR for 99 years, from March 1, 1893, at rental of 7% per annum on stock, lessee assuming all liabilities. Dividends, quarterly, January, at company's office, South Term. Station, Boston. As of July 1, 1906, the New Haven owned $2,244,900 of this stock. Listed on Boston Stock Exchange. Transfer agent, G. B. Phippen, Treas., Boston.

OSWEGO & SYRACUSE RR 9% GUARANTEED STOCK. Line of road, Oswego to Syracuse, N. Y., 34.98 miles. Capital stock, $1,320,400; par, $50. Leased February 13, 1869, for term of corporate existence, with renewal thereof, to Del., Lack. & West. RR, at rental of interest on bonds, and 9% per annum on stock. Dividends, February & August 20, at 26 Exchange Place, N. Y. Transfer office, 26 Exchange Place, New York.

PACIFIC & ATLANTIC TELEGRAPH CO. OF THE U. S. 4% GUARANTEED STOCK. Capital stock, $2,000,000, of which West. Union Tel. Co. owns $1,458,150; par, $25. Leased to West. Union Tel. Co. for 999 years, from January 1, 1874. Dividends, January & July 1, at 195 Broadway, N. Y. Transfer office, 195 Broadway, New York.

PETERBOROUGH RR 4% GUARANTEED STOCK. Line of road, Wilton to Greenfield, N. H.,

10.50 miles. Capital stock, $385,000; par, $100. Leased on April 1, 1893, to Bost. & Lowell RR, for 93 years, at rental equal to 4% on stock, taxes and $300 for organization expenses; operated by Bost. & Me. RR through its lease of Bost. & Lowell. Dividends, August & October 1, at Treasurer's office, Nashua, N. H. Transfer office, Nashua, N. H.

PHILA. & TRENTON RR 10% GUARANTEED STOCK. Line of road, N. J. & Pa. State line in Del. River at Trenton, to Frankfort Junction, Phila., with branch, 26.30 miles. Capital stock, $1,259,100; par, $100. Leased, conjointly with United RRs of N. J., for 999 years from June 30, 1871, to Penna. RR, at rental of 10% per annum on $494,100 stock, the remaining $765,000 being owned by the United RRs of N. J. Dividends, quarterly, January 10, at Broad St. Station, Phila. Listed on Philadelphia Stock Exchange.

PHILA., GERMANTOWN & NORRISTOWN RR 12% GUARANTEED STOCK. Line of road, Philadelphia to Norristown, Pa., with branches, 20.96 miles. Capital stock, $2,246,900; par, $50. Leased for 999 years, from December 1, 1870, to Phila. & Read. RR, the lease being assumed by Phila. & Read. Ry in the reorganization in 1896. Rental, $277,623 per annum, representing 12% on stock and $8,000 organization expenses. Dividends, quarterly, March 4, at Mar. & Mer. Bldg., Phila. Listed on Philadelphia Stock Exchange. Transfer office, Mariner & Merchant Bldg., Philadelphia, Pa.

PITTSBURG, BESSEMER & LAKE ERIE RR GUARANTEED 3% COMMON AND 6% CUMU-

LATIVE PREFERRED STOCK. Line of road, North Bessemer, Pa., to Conneaut Harbor, Ohio, with branches, 204.05 miles. Capital stock, $10,000,000 common and $2,000,000 preferred. Leased to Bessemer & Lake Erie RR for 999 years from April 1, 1901, at annual rental of interest on bonds, organization expenses, and dividends of 6% on preferred and 3% on common stock. Dividends on common stock, August & October; on preferred, July & December 1, by check. Transfer agents, U. S. Trust Co., N. Y., for common, and Union Tr. Co., Pittsburg, for preferred stock.

PITTSBURG, FORT WAYNE & CHICAGO RY 7% GUARANTEED STOCK. Line of road, Pittsburg, Pa., to Chic., with branches and leased lines, 497.10 miles. Capital stock, $37,374,500 special improvement and $19,714,286 general stock; par, $100. The former is subject to the general stock, and is issued to the Penna. RR for improvements. Leased, in perpetuity, from July 1, 1869, to the Penna. RR at rental of interest and sinking fund of debt, and 7% per annum on both classes of stock. Lease assigned to Penna. Co., lessee assuming all obligations of the lessor. Dividends on general stock, quarterly, on Tuesday after the first Monday in January, April, July and October, and on special stock quarterly, January 1; payments on both classes at Winslow, Lanier & Co., N. Y. In July, 1901, 2% extra was declared. Listed on New York Stock Exchange. Transfer office, Winslow, Lanier & Co., New York.

PITTSBURG, McKEESPORT & YOUGHIOGHENY RR 6% GUARANTEED STOCK. Line of

road, Pittsburg to New Haven, Pa., and branches, 109.6 miles. Capital stock, authorized, $4,000,000; outstanding, $3,959,650; par, $50. Leased for 999 years to Pittsburg & Lake Erie RR from August 3, 1881, at rental of 6% per annum on stock, and guarantee of principal and interest, on bonds jointly by Pittsburg & Lake Erie and Lake Shore & Michigan Southern Cos., the guarantee being endorsed on both bonds and stock certificates. The stock guarantee contains the proviso that the holder shall accept par for stock on July 1, 1934. Dividends, January & July 1, at Union Tr. Co., N. Y. Listed on New York Stock Exchange. Transfer office, Central Trust Co., New York.

PORTLAND & OGDENSBURG RY 2% GUARANTEED STOCK. Line of road, Portland, Me., to Lunenburg, Vt., 109.1 miles. Capital stock, $4,392,538; par, $100. Leased to Me. Cent. RR for 999 years, from August 20, 1888, rental being interest on bonds and 2% on stock. Dividends, quarterly, February (last day), at Treas.' office, Me. Cent. RR, Portland, Me. Transfer office, Treasurer's office, Portland, Me.

PROVIDENCE & WORCESTER RR 10% GUARANTEED STOCK. Line of road, Providence, R. I., to Worcester, Mass., and branch, 47.9 miles. Capital stock, $3,500,000; par, $100. Leased to N. Y., N. Haven & H. RR Co. for 99 years, from July 1, 1892, at rental of 10% per annum on stock, interest on bonds and $6,000 for organization expenses. Dividends, quarterly, March 31, at Providence, R. I. Listed on Boston Stock Exchange. Transfer office, Providence, R. I.

RENSSELAER & SARATOGA RR 8% GUARANTEED STOCK. Line of road owned, Saratoga Spa to Lake Station, Whitehall, N. Y., 40.39 miles; Troy to Ballston Spa, 25.48 miles; Eagle Bridge, N. Y., to Rutland, Vt., 62.44 miles; branches, 22.83 miles —total, 151.14 miles. Capital stock, $10,000,000; par, $100. Leased in perpetuity from March 1, 1871, to Del. & Hudson Co., at rental of interest on bonds, lease obligations and 8% per annum on stock. Dividends, January & July 1, at National Bank of Commerce, New York. Listed on New York Stock Exchange. Transfer office, National Bank of Commerce, New York.

ROME, WATERTOWN & OGDENSBURG RR 5% GUARANTEED STOCK. Line of road, Massena Springs to Richland, N. Y., with branches, 410.14 miles. Capital stock, $10,000,000; par, $100. Leased to N. Y. Cent. & Hud. River RR on March 14, 1891, for corporate existence, at rental of $15,000 per annum until April 1, 1901, thereafter $7,000 per annum, interest on bonds and 5% per annum on stock. Dividends quarterly (February 15) at Grand Central Station, New York. Listed on New York Stock Exchange. Transfer office, Central Trust Co., New York.

SECOND AVENUE RR 9% GUARANTEED STOCK. Capital stock, $1,862,000; par, $100. Leased to Metropolitan St. Ry from January 28, 1898, for the term of its corporate existence at annual rental of 8% on the stock, for three years from March 1, 1898, and 9% thereafter. Under lease of the Metropolitan Street Ry Co. to the Interurban Street Ry Co., this road is now operated by the New York City

Ry. Dividends quarterly, March 1, at 621 Broadway, New York. Transfer agent, Sec. of company, New York.

UNITED NEW JERSEY RR & CANAL CO. 10% GUARANTEED STOCK. Line of road, Camden to South Amboy, N. J., Trenton to Jersey City, N. J., with branches, 471.93 miles. Canal from Bordentown to New Brunswick, N. J., and feeder, 66 miles. Capital stock, $21,240,000; par, $100. Leased to Penna. RR Co. June 30, 1871, for 999 years at rental of 10% on stock, interest on bonds, taxes, etc. Dividends (quarterly) January 10, at Nat. Bank of Commerce, New York, and Broad Street Station, Philadelphia. Transfer office, Trenton, N. J. Listed on Philadelphia Stock Exchange.

UTICA & BLACK RIVER CO. 7% GUARANTEED STOCK. Line of road, Utica to Ogdensburg, N. Y., with branches, 150.13 miles. Capital stock authorized $3,000,000; outstanding, $2,223,000, of which $1,120,000 (a majority) is held in the treasury of the Rome, Watertown & Ogdensburg RR Co. Par, $100. Leased in perpetuity, April 14, 1886, to Rome, Watertown & Ogdensburg RR; lease transferred to the New York Central & Hudson River RR, March 14, 1891. Rental, interest on bonds, 7% per annum on stock and $4,500 for organization expenses. Dividends, March and September 30, at Grand Central Station, New York. Transfer office, Central Trust Co., New York. Listed on the N. Y. Stock Exchange.

UTICA, CHENANGO & SUSQUEHANNA VALLEY RY 6% GUARANTEED STOCK. Line

of road, Utica to Greene, N. Y., with branches, 97.41 miles. Capital stock, $4,000,000; par, $100. Leased April 9, 1870, in perpetuity, to Del., Lack. & West. RR Co. at rental of 6% per annum on capital stock. Dividends, March & November 1, at 26 Exchange Place, New York. Transfer office, 26 Exchange Place, New York.

VERMONT & MASS. RR 6% GUARANTEED STOCK. Line of road, Fitchburg to Greenfield, Mass., and branch, 58.58 miles. Capital stock, $3,193,000; par, $100. Leased for 999 years from January 1, 1874, to Fitchburg RR (Bost. & Me. RR). Rental, interest on bonds, $3,000 organization expenses and 6% per annum on stock. Dividends, August & October 1, at 53 Devonshire Street, Boston. Listed on Boston Stock Exchange. Transfer office, Boston, Mass.

WARREN RR 7% GUARANTEED STOCK. Line of road, New Hampton Junction, N. J., to Del. River, 18.82 miles. Capital stock, $1,800,000; par, $50. Leased, October 1, 1857, in perpetuity, to Del., Lack. & West. RR at rental of interest on bonds and 7% on stock. Dividends August & October 15, at 26 Exchange Place, New York. Transfer office, 26 Exchange Place, New York.

WORCESTER, NASHUA & ROCHESTER RR GUARANTEED STOCK. Line of road, Worcester, Mass., to Rochester, N. H., 94.48 miles. Capital stock, $3,099,800; par, $100. Leased to Boston & Maine RR for 50 years, from January 1, 1886, at annual rental of $250,000 and taxes. Dividends have been paid as follows: 1887 to 1893, 6% per an-

num; 1894 to 1897, 5% per annum; 1898, 5¼%; 1899, 4½%; 1900, 4%; 1901, 5¾%; 1902, 5%; 1903, 4¼%; 1904, 5½%; 1905, 5¾%; 1906, 5¾%; 1907, January, 2¾%. Dividends, January & July 1, at American Trust Co., Boston, Mass. Listed on Boston Stock Exchange. Transfer office, American Trust Co., Boston.

ALPHABETICAL INDEX

	Page
Account and Risk	15
Accrued Dividends	15
Accrued Interest	16
Accumulated Dividends	17
Adjustment Bonds	18
Albany & Susquehanna RR 9% Guaranteed Stocks	147
Allegheny & Western Ry 6% Guaranteed Stocks	147
Allotment	20
American Smelters Secur. Co. 5% Guaranteed Stock	147
American Telegraph & Cable Co. 5% Guaranteed Stock	148
Atchison, Topeka & Sante Fe Ry Preferred Stock	135
Arbitrage	20
Assented Stocks or Bonds	25
Assessment	25
Assigned in Blank	27
Atlanta & Charlotte Air Line Guaranteed Stock.	148
Averaging	27
Balance of Trade	28
Bald Eagle Valley RR Guaranteed Stock	149
Baltimore & Ohio RR Preferred Stock	135
Banking	29
Bank of England	33
Bank of England Note	33
Bank of England Rate	35
Bank Statement	35
Bear	38
Beech Creek RR Guaranteed Stock	149
Bill of Exchange	39
Blind Pool	40
Bonds	40
Books Closed	42
Books Opened	43

Page

Book Value..... 43
Borrowing and Lending Stocks..... 44
Boston & Albany RR Guaranteed Stock..... 149
Boston & Lowell RR Guaranteed Stock..... 150
Boston & New York Air Line Guaranteed Stock 150
Boston & Providence RR Guaranteed Stock.... 151
Broadway & Seventh Ave. RR Guar. Stock..... 151
Brooklyn City RR Guaranteed Stock..... 151
Bucketing 46
Bucket Shop..... 47
Buffalo, Rochester & Pittsburgh Ry Pref. Stock 136
Bull 49
Buyers' Option..... 49
Call 49
Call Loans..... 50
Called Bonds..... 50
Canadian Pacific Ry Preferred Stock..... 136
Car Miles..... 51
Catawissa RR Guaranteed Stock..... 152
Chicago & Alton RR Preferred Stock..... 136
Chicago & Eastern Illinois RR Guaranteed Stock 152
Chicago & Northwestern Ry Preferred Stock.. 137
Chicago, St. Paul, Minneapolis & Omaha Pfd. Stock 137
Chicago, Milwaukee & St. Paul Preferred Stock 138
Chicago, Terminal Transfer RR Preferred Stock 138
Clearfield & Mahoning Ry Guaranteed Stock... 153
Cleveland & Mahoning Valley Ry Guaranteed Stock 153
Cleveland & Pittsburg RR Guaranteed Stock... 154
Close Corporation..... 51
Colorado & Southern Ry Preferred Stock..... 138
Columbus & Xenia RR Guaranteed Stock..... 154
Commercial Paper..... 52
Common Stock..... 52
Concord & Montreal RR Guaranteed Stock..... 155
Connecticut & Passumpsic Rivers RR Guar. Stock 155
Connecticut River RR Guaranteed Stock..... 155
Consol 53
Contango 54
Corner 54

Page

Coupon Bonds 55
Cumulative Dividends 56
Current Assets 57
Current Liabilities 57
Cutting a Melon 57
Dayton & Michigan RR Guaranteed Stock 156
Debenture 58
Default 58
Delaware & Bound Brook RR Guaranteed Stock 156
Denver & Rio Grande RR Preferred Stock 139
Detroit, Hillsdale & Southwestern RR Guar. Stock 156
Discretionary Accounts 59
Dividend 59
Elmira & Williamsport RR Guaranteed Stock .. 157
Equity 60
Erie RR Preferred Stock 139
Erie & Pittsburgh RR Guaranteed Stock 157
European & North American Rys. Guar. Stock .. 158
Exchange 61
Ex-Dividend 61
Ex-Interest 62
Ex-Rights 62
Fall Brook Ry Guaranteed Stocks 158
Fitchburg RR Guaranteed Stocks 158
Fixed Charge 63
Flat 63
Floating Debt 64
Foreign Exchange 64
Fort Wayne & Jackson RR Guaranteed Stock .. 159
Founders' Shares 67
Franchise 67
Funded Debt 68
Georgia RR & Banking Co. Guaranteed Stock .. 159
Gold Bonds 69
Gold & Stock Telegraph Co. Guaranteed Stock .. 160
Granger Railroad 69
Great Northern Ry Preferred Stock 140
G. T. C 70
Guaranteed Bonds 70
Guaranteed Stock 71
Hocking Valley Ry Preferred Stock 140

	Page
Holding Company	71
Hypothecation	72
Illinois & Mississippi Telegraph Guar. Stock	160
Illinois Central Leased Line Guaranteed Stock	160
Income Account	72
Income Basis	73
Income Bonds	73
International Ocean Telegraph Co. Guar. Stock	160
Irredeemable Bonds	73
Jackson, Lansing & Saginaw RR Guar. Stock	161
Joint Bonds	74
Joliet & Chicago RR Guaranteed Stock	161
Kaffirs	74
Kangaroos	74
Kansas City, St. Louis & Chicago, Guar. Stocks	161
Listed Stock	75
Little Miami RR Guaranteed Stock	162
Little Schuylkill Navigation & Coal Co. Guar. Stock	162
Lombard Street	76
London Quotations	76
Long Accounts	77
Louisiana & Missouri River Ry Preferred Stock.	163
Manipulation	77
Margin	79
Massawippi Valley Ry Guaranteed Stock	163
Matched Order	81
Mileage	81
Minneapolis & St. Paul Preferred Stock	140
Missouri, Kansas & Texas Ry Preferred Stock	141
Mixed Loan	82
Monetary	83
Monetary Standing	83
Money Broker	85
Money Market	85
Money Rates	86
Monometalism	86
Morris & Essex RR Guaranteed Stock	163
Morris Canal & Banking Co. Guaranteed Stock.	164
Mortgagee	87
Movable Exchange	87
Municipal Bonds	87

Page
Nashville & Decatur RR Guaranteed Stock..... 164
National Debt..... 87
Net 88
New York & Harlem RR Guaranteed Stocks.. 165
New York Clearing House Association..... 88
New York, Lackawanna & Western Ry Guar. Stock 165
New York Stock Exchange..... 89
New York Stock Exchange Clearing House.... 90
Non-Assented Stocks or Bonds..... 96
Non-Cumulative Stock..... 96
Non-Interest Bearing..... 96
Norfolk & Western Ry Preferred Stock..... 141
North Carolina RR Guaranteed Stock..... 166
Northern RR Guaranteed Stock..... 166
Northern RR of N. J. Guaranteed Stock..... 166
North Pennsylvania RR Guaranteed Stock..... 167
Northwestern Telegraph Co. Guaranteed Stock. 167
Norwich & Worcester RR Guaranteed Stock... 167
Note Broker..... 97
Old Colony RR Guaranteed Stock..... 168
On a Scale..... 97
On Margin..... 97
Option 97
Optional Bonds..... 99
Ordinary Stock..... 99
Oswego & Syracuse RR Guaranteed Stock..... 168
Outside Broker..... 100
Pacific & Atlantic Telegraph Co. Guar. Stock.. 168
Par 100
Par of Exchange..... 101
Participating Bonds..... 102
Passenger Density..... 103
Passenger Miles..... 103
Passing a Dividend..... 103
Peterborough RR Guaranteed Stock..... 168
Philadelphia & Trenton RR Guaranteed Stock.. 169
Philadelphia, Germantown & Norristown RR Guar. Stock..... 169
Pittsburgh, Bessemer & Lake Erie RR Guar. Stock 169

Page
Pittsburgh, Cincinnati, Chicago & St. Louis RR Pfd. Stock..... 141
Pittsburgh, Fort Wayne & Chicago Ry Guar. Stock 170
Pittsburgh, McKeesport & Youghiogheny RR Guar. Stock..... 170
Plain Bond..... 103
Pool 104
Portland & Ogdensburg RR Guaranteed Stock.. 171
Preference Stock..... 104
Preferred Ordinary Stock..... 105
Preferred Stock..... 105
Premium 106
Principal 107
Privilege 107
Providence & Worcester RR Guaranteed Stock. 171
Proxy 109
Put 109
Pyramiding 110
Railroad Earnings..... 111
Reading Company Preferred Stocks..... 142
Readjustment 113
Registered Bonds..... 114
Registered Coupon Bond..... 115
Rehypothecation 115
Released Endorsed Bond..... 115
Renssalaer & Saratoga RR Guaranteed Stock.. 172
Reorganization 116
Repudiation 117
Rock Island Company Preferred Stock..... 142
Rome, Watertown & Ogdensburg RR Guaranteed Stock..... 172
Rupee Paper..... 118
Scrip 118
Scrip Dividends..... 119
Seaboard Company Preferred Stocks..... 143
Second Avenue RR Guaranteed Stock..... 172
Second Mortgage..... 119
Securities Company..... 119
Sellers Option..... 119
Selling Short..... 120
Settlement (The)..... 120

Page
Short 121
Sinking Fund..... 122
Sinking Fund Bonds..... 122
Southern Pacific Company Preferred Stock..... 143
Southern Ry Preferred Stock..... 144
Special Aid Bond..... 123
Special Assessment Bond..... 123
Spread 123
Stock Power..... 124
Stop Order..... 124
Straddle 124
Syndicate 125
Time Loan..... 126
Ton Mile Cost..... 126
Ton Miles..... 126
Train Miles..... 127
Transfer 127
Trustee Stock..... 127
Two Dollar Broker..... 128
Unassented Stock or Bonds..... 128
Underlying Mortgage..... 128
Underwriter 128
Unified Bonds..... 128
Unlisted Stocks..... 129
Union Pacific RR Preferred Stock..... 144
United New Jersey RR & Canal Co. Guar. Stock 173
Utica & Black River RR Guaranteed Stock..... 173
Utica, Chenango & Susquehanna Valley Ry Guar. Stock..... 173
Value Bill..... 129
Vermont & Massachusetts RR Guaranteed Stock 174
Voting Trust..... 129
Voting Trust Certificates..... 130
Wabash RR Preferred Stock..... 145
Warren RR Guaranteed Stock..... 174
Washing 130
Watered Stock..... 130
When Issued..... 131
Wisconsin Central RR Preferred Stock..... 145
Worcester, Nashua & Rochester RR Guar. Stock 174
X-D 131
X-I 131

The Cycles of Speculation

By THOMAS GIBSON

Author "Pitfalls of Speculation"

This work is framed with the intention of entering a little further into the great question of Speculation and Investment than did the "Pitfalls of Speculation," by the same author.

The introduction discusses briefly the difference between mechanical gambling and marginal speculation and shows wherein the difference lies. The folly of expecting sudden riches from even successful speculative operations is also dealt with.

The second chapter gives a brief history of the great speculative movements of the last century and analyses the causes of such movements.

In the third and fourth chapters the important questions of our increasing supply of gold and the influences of money conditions on prices are covered. These two subjects are considered particularly for their bearing on price changes in Bonds, Stocks and Commodities.

In the fifth chapter such factors as politics, crops, etc., are discussed.

In the second part of the work, Mr. Gibson has taken up subjects that are not clearly understood by the laity. The somewhat involved methods of operating on Puts and Calls is explained in a manner which robs the subject of all its complexity. The question of dividends; their influence on prices immediately before or after a disbursement, is fully and logically explained.

Other subjects briefly treated are: Basing Railroad Values; The Effects of Business Depression; Undigested Securities; The Value of Rights; A Barometer of Averages; The Best Method of Trading; Indications of Crises; The Ordinary Swing of Prices; The Factor of Safety; Borrowing and Lending Stocks; Scalping; Crop Damage; The Selection of Securities; The Bank Statement, etc.

The conclusion is particularly interesting to the Speculator. In this chapter Mr. Gibson takes up and answers the following questions most frequently asked by speculators:

1. What margins are necessary to reasonable safety?
2. Is it better to study the entire list or make a specialty of one stock?
3. What class of securities is the safest?
4. What may be considered a fair rally or reaction in prices?
5. What is the best general method of trading?

This volume is uniform with the same author's "Pitfalls of Speculation," and also with the other volumes of "The Investor's Library."

Price, per copy, $1.50 net; by mail, $1.62

Published by

THE MOODY CORPORATION

35 NASSAU STREET - - - NEW YORK

Smith's
Financial Dictionary

BY HOWARD IRVING SMITH

Recently Issued

Cloth. 543 Pages. Price, $4.50

This work is indispensable to a bank in answering questions that daily arise. It is the only Financial Dictionary published. It is more than a Dictionary, however; it is likewise an Encyclopaedia. It describes in fullest detail, in clear language, Banking, Money, Credit, Securities, Contracts, Commercial Paper and other Negotiable Instruments, Domestic and Foreign Exchange, Speculation in Stocks and Bonds, Grain, Cotton, Coffee, Provisions, etc. It is a complete financial library in itself.

Smith's Financial Dictionary is adapted not alone for banks and bankers, but for corporations, brokers, exporters, importers, manufacturers and merchants, and also for lawyers. It is an entirely new work, consisting of 543 large pages, printed from clear type, on superior paper, and strongly bound. It contains no advertisements.

The Moody Corporation

35 Nassau St., New York City

The Pitfalls of Speculation

By THOMAS GIBSON

This book deals exclusively with marginal speculation and analyzes in a clear and simple manner the causes of failure in speculation, with a suggestion as to the remedies. While 80 per cent. of the public speculators fail in their ventures, the writer contends that the errors may be corrected and the pitfalls avoided by careful study and clear understanding of the machinery of the exchanges.

In the introduction the writer says:

> "I do not pretend that any 'prescription' can be written to insure success nor that a majority of the public traders will ever succeed, but I do maintain that many individuals capable of clear reasoning and the directed exercise of such reasoning, are simply moving in the dark thru a lack of understanding as to what makes and breaks prices. More fallacies superstitions and distorted logic are connected with speculation than with any other business on earth."

Until the late Charles H. Dow, the founder of "The Wall Street Journal," began to write of such matters there was no literature extant on the art of speculation with especial reference to the position of the speculator of moderate means. Mr. Dow's efforts were newspaper articles, not intended for book publication. Since Mr. Dow, no writer has appeared to treat of these matters with anything approaching the knowledge of the subject, the breadth of view and the common-sense treatment that Mr. Gibson devotes to it.

SYNOPSIS OF CHAPTERS.

I.—Introduction. II.—Ignorance, Over Speculation, etc. III.—Manipulation, IV.—Accidents. V.—Business Methods in Speculation. VI.—Market Technicalities. VII.—Tips. VIII.—Mechanical Speculation. IX.—Short Selling. X.—What 500 Speculative Accounts Showed. XI.—Grain Speculation. XII.—Suggestions as to Intelligent Methods. XIII.—Conclusion.

The volume is handsomely printed and bound in green cloth, being uniform in size with "The Art of Wall Street Investing." Price, per copy, $1.00 net. By mail, $1.10.

The Moody Corporation

Publishers

35 Nassau Street New York City

The Art of Wall Street Investing

By JOHN MOODY

This is a practical Handbook for investors, treating the subject of Wall Street Investing in a sensible and original manner. It is the first modern attempt to cover the subject in an attractive and popular form, and in such a way as to be of interest to the individual investor as well as the more expert banker and broker.

"The book deals in a clear, popular and entertaining way in the methods, terms and phases of Wall Street Investing, giving rules for analyzing railroad securities and statements, and explaining syndicates and reorganizations."—The Wall Street Journal.

"It is lucid, original and sound. I should think it ought to find use as a text-book in University and College Departments of Economics."—Prof. E. Benjamin Andrews.

"It is a book of great interest to business men and investors in general. Mr. Moody devotes a chapter to 'get-rich-quick schemes,' which will be an eye-opener to those guileless ones who are ready victims of the great army of sharpers that infest the land."—Buffalo Courier.

SYNOPSIS OF CHAPTERS.

I.—Safety and Security. II.—Bonds and What They Represent. III.—Stocks and What They Are. IV.—Analyzing Railroad Securities. V.—Industrials and Tractions. VI.—Investments *vs.* Speculation. VII.—"Get-Rich-Quick" Schemes. VIII.—Reorganizations and Syndicates. IX.—The New York Stock Exchange. X.—Wall Street Phrases and Methods.

The volume is handsomely printed and bound in red cloth, being uniform in size with "The Pitfalls of Speculation." Price per copy, $1.00 net. By mail, $1.10.

The Moody Corporation

Publishers

35 Nassau Street New York City

Moody's Magazine

A Monthly Review for Investors, Bankers and Men of Affairs

Edited by Byron W. Holt

Moody's Magazine is published for the information of the investor. It circulates among investors in all English-speaking countries. Its editorial and contributed pages discuss, authoritatively and impartially, all topics of finance and economics which have a bearing upon Investments. Its Studies in Value are a distinctive feature; its Investment and Corporation News are unequaled for convenience and completeness.

It does not suppress or color information; it is the organ of no corporation or interest; it does not publish advertisements as news matter; it does not sell its editorial columns; its editorials are fearless and truthful, but not malicious; it is independent; it is fair and honest with its subscribers and advertisers, and it deserves the support of all honest investors.

SUBSCRIPTION, $3.00 PER YEAR

SAMPLE COPY FREE

Moody's Magazine

Publishers

35 Nassau St., New York City

NOW READY

American Railways as Investments

By Carl Snyder

Their history, territory, great groups and allies, who own and run them, stability of traffic, earnings and surplus.

Their capitalization, condition, recent improvements, resources, future, range of market prices, yield to the investor, etc.

This is a work designed for the Investment Banker and Broker and more especially still, for the general investor himself. It is practical, not theoretical, and presents a comparative and historical analysis of nearly 100 of the important railway companies of America.

Price, $3.20 net; by mail, $3.52.

The Moody Corporation

35 NASSAU STREET NEW YORK

Complete Sets of Moody's Manual

We can supply a limited number of complete sets, uniformly bound, of the eight issues of MOODY'S MANUAL covering the years 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907. These eight years embrace the most important period in America's financial and industrial history, and no banker's, financier's or student's library is complete without these eight volumes. They constitute an encyclopaedia of modern finance and industry.

Price for the set, in red cloth, $35.00 net

EXPRESS CHARGES PREPAID

The Moody Corporation

Publishers

35 Nassau St., New York City